

**THEEWATERSKLOOF  
MUNICIPALITY/MUNISIPALITEIT/MASIPALA**

# **FINANCIAL STATEMENTS**

**30 JUNE 2010**

[These financial statements have been audited]



**Theewaterskloof**  
Municipality

# THEEWATERSKLOOF MUNICIPALITY

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# THEEWATERSKLOOF MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Theewaterskloof Municipality includes the following areas:

<i>Caledon</i>	<i>Greyton</i>
<i>Grabouw</i>	<i>Genadendal</i>
<i>Villiersdorp</i>	<i>Botrivier</i>
<i>Riviersonderend</i>	<i>Tesselaarsdal</i>

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Mr. C. Punt</i>
Deputy Executive Mayor	<i>Mr. S. Vashu</i>
Executive Councillor	<i>Mr. L. de Bruyn</i>
Executive Councillor	<i>Mr. M. Tshaka</i>
Executive Councillor	<i>Mr. A Hattingh</i>
<b>Executive Councillor</b>	Mrs. C. Vosloo (Speaker)

#### MUNICIPAL MANAGER

**Mr. H.S.D. Wallace**

#### CHIEF FINANCIAL OFFICER

**Mr. S.N. Jacobs**

#### REGISTERED OFFICE

**6 Plein Street, CALEDON, 7230**

#### AUDITORS

Office of the Auditor General (WC)

#### PRINCIPLE BANKERS

*ABSA Bank, P.O. Box 145, Caledon. 7230*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

#### ATTORNEYS

*Bosman & Smit*  
*Fairbridges Attorneys*  
*Herold Gie Attorneys*  
*IAJ Malherbe Incorporated*  
*Johnson Kuun & Co*  
*N. Allen Attorneys*  
*Claughton & Wehmeyer*  
*Guthrie & Theron*  
*Du Plessis & Mostert*  
*Adv Jan Heunis*

# THEEWATERSKLOOF MUNICIPALITY

## MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K. Tiemie
2	Mrs. C. Wood
3	Mr. L. de Bruyn
4	Mr A Hanekom
5	Mrs. V. Mazembe
6	Mrs. C. Vosloo (Speaker)
7	Mr. J. Pheiffer
8	Mr. C. November
9	Mr. S. Fredericks
10	Mr. M. Damons
11	Mr. A. Hattingh
12	Mrs C Booyesen
Proportional	Mr. S. Baird
Proportional	Mrs. A. Arendse
Proportional	Mr. P. Adams
Proportional	Mrs. J. Nellie
Proportional	Mrs. T. Simmers
Proportional	Mrs. M. Appel
Proportional	Mrs. D. Ruiters
Proportional	Mr K Papier
Proportional	Mr. S Vashu
Proportional	Mr. C Punt
Proportional	Mr. M Tshaka

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 64 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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*Mr. H.S.D. Wallace*  
**Municipal Manager**

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31 August 2010  
**Date**

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

	Notes	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>202,819,615</b>	<b>193,701,186</b>
Capital Replacement Reserve	2	-	716,718
Social Contribution Reserve	2	30,650	30,650
Accumulated Surplus/(Deficit)		202,788,965	192,953,818
<b>Non-Current Liabilities</b>		<b>99,484,053</b>	<b>102,278,699</b>
Long-term Liabilities	3	78,104,948	83,102,558
Employee benefits	4	21,379,105	19,176,141
Non-Current Provisions	5	-	-
<b>Current Liabilities</b>		<b>48,645,366</b>	<b>48,912,138</b>
Consumer Deposits	6	2,942,496	2,697,122
Current Employee benefits	7	9,637,373	6,588,583
Provisions	8	-	-
Trade and other payables	9	15,465,490	18,412,036
Unspent Conditional Government Grants and Receipts	10	7,148,626	8,428,213
Taxes	11	8,732,487	7,799,261
Operating Lease Liability	18.1	8,295	1,685
Current Portion of Long-term Liabilities	3	4,710,598	4,985,238
<b>Total Net Assets and Liabilities</b>		<b>350,949,034</b>	<b>344,892,022</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>315,153,839</b>	<b>290,699,102</b>
Property, Plant and Equipment	12	284,533,258	260,324,299
Investment Property	13	29,098,356	29,860,813
Intangible Assets	14	1,478,445	422,037
Long-Term Receivables	15	43,780	91,953
<b>Current Assets</b>		<b>35,795,195</b>	<b>54,192,920</b>
Inventory	16	97,479	85,630
Trade Receivables from exchange transactions	17	16,701,860	13,600,170
Other Receivables from non-exchange transactions	17	6,554,895	5,659,184
Unpaid Conditional Government Grants and Receipts	10	29,538	-
Operating Lease Asset	18.2	1,603,760	851,253
Taxes	11	3,439,592	2,913,971
Current Portion of Long-term Receivables	15	6,320	12,160
Cash and Cash Equivalents	19	7,361,750	31,070,552
<b>Total Assets</b>		<b>350,949,034</b>	<b>344,892,022</b>

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 R	2009 Restated - Note 34.1 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>135,615,310</b>	<b>100,115,363</b>
<b>Taxation Revenue</b>		<b>38,728,921</b>	<b>34,081,633</b>
Property taxes	20	38,728,921	34,081,633
<b>Transfer Revenue</b>		<b>91,845,291</b>	<b>59,558,295</b>
Government Grants and Subsidies	21	91,845,291	59,558,295
<b>Other Revenue</b>		<b>5,041,098</b>	<b>6,475,435</b>
Third Party Payments		1,449,361	1,323,257
Fines		3,591,737	5,152,178
<b>Revenue from Exchange Transactions</b>		<b>115,085,572</b>	<b>105,558,465</b>
Service Charges	22	95,401,290	82,467,808
Rental of Facilities and Equipment		2,091,293	2,435,902
Interest Earned - external investments		2,757,556	3,714,520
Interest Earned - outstanding debtors		6,351,554	7,978,802
Licences and Permits		2,188,271	2,406,924
Income for Agency Services		1,973,519	1,414,819
Other Income	23	4,322,090	5,139,690
<b>Total Revenue</b>		<b>250,700,882</b>	<b>205,673,828</b>
<b>EXPENDITURE</b>			
Employee related costs	25	84,600,414	70,159,076
Remuneration of Councillors	26	5,654,539	5,436,873
Debt Impairment	27	18,276,732	24,525,689
Depreciation and Amortisation		20,542,730	17,791,243
Impairments	28	-	33,025
Repairs and Maintenance		17,688,294	14,316,897
Actuarial losses	4	70,985	1,823,438
Finance Charges	29	8,302,259	7,235,480
Bulk Purchases	30	25,913,357	22,525,710
Contracted services		8,653,412	8,538,469
Grants and Subsidies Paid	31	484,727	434,354
Other Operating Grant Expenditure		30,595,343	2,707,082
General Expenses	32	21,327,027	23,518,868
<b>Total Expenditure</b>		<b>242,109,820</b>	<b>199,046,204</b>
<b>Operating Surplus for the Year</b>		<b>8,591,062</b>	<b>6,627,624</b>
Loss on disposal of Property, Plant and Equipment/Investment Property		-	-
Gain on disposal of Property, Plant & Equipment/Investment Property		520,671	3,606,078
Fair Value Adjustments	24	6,697	3,190
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>9,118,430</b>	<b>10,236,892</b>

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>Capital Replacement Reserve</b>	<b>Social Contribution Reserve</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2008</b>	<b>4,414,013</b>	-	<b>174,831,513</b>	<b>179,245,526</b>
Net Surplus/(Deficit) for the year	-	-	10,236,892	10,236,892
Transfer to CRR	3,766,807	-	(3,766,807)	-
Property, Plant and Equipment purchased	(7,464,102)	-	7,464,102	-
Contribution to Social Contribution Reserve	-	30,650	(30,650)	-
Rounding	-	-	(5)	(5)
<b>Balance at 30 JUNE 2009</b>	<b>716,718</b>	<b>30,650</b>	<b>188,735,045</b>	<b>189,482,413</b>
Correction of error - Note 34.08	-	-	4,066,895	4,066,895
Change in accounting policy - See Note 33.04	-	-	151,877	151,877
<b>Restated Balance at 1 JULY 2009</b>	<b>716,718</b>	<b>30,650</b>	<b>192,953,818</b>	<b>193,701,186</b>
Net Surplus/(Deficit) for the year	-	-	9,118,430	9,118,430
Transfer to CRR	195,467	-	(195,467)	-
Property, Plant and Equipment purchased	(912,185)	-	912,185	-
<b>Balance at 30 JUNE 2010</b>	<b>-</b>	<b>30,650</b>	<b>202,788,965</b>	<b>202,819,615</b>

**THEEWATERSKLOOF MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 R	2009 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other - Exchange Transactions		87,420,275	88,125,200
Cash receipts from ratepayers, government and other - Non- Exchange Transactions		135,725,051	100,915,912
Cash payments to suppliers and employees		(198,570,751)	(158,837,259)
Cash receipts and payments on VAT transactions		407,605	684,569
Cash generated by operations	35	24,982,180	30,888,422
Interest Received		9,109,110	11,693,322
Interest Paid		(8,302,259)	(7,235,480)
<b>Net Cash from Operating Activities</b>		<b>25,789,031</b>	<b>35,346,264</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(44,142,100)	(60,724,343)
Proceeds on Disposal of Fixed Assets		849,878	5,252,467
Purchase of Intangible Assets		(1,232,747)	(370,102)
<b>Net Cash from Investing Activities</b>		<b>(44,524,969)</b>	<b>(55,841,978)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans raised		55,171	33,390,680
New loans		(5,327,419)	(2,463,324)
Decrease in Long-term Receivables		54,013	18,059
Increase in Consumer Deposits		245,374	301,849
Rounding		(3)	-
<b>Net Cash from Financing Activities</b>		<b>(4,972,865)</b>	<b>31,247,264</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(23,708,802)</b>	<b>10,751,550</b>
Cash and Cash Equivalents at the beginning of the year		31,070,552	20,319,002
Cash and Cash Equivalents at the end of the year	36	7,361,750	31,070,552
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(23,708,802)</b>	<b>10,751,550</b>



**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE  
FINANCIAL STATEMENTS**

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**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

<b>GRAP 1</b>	Presentation of Financial Statements
<b>GRAP 2</b>	Cash Flow Statements
<b>GRAP 3</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>GRAP 4</b>	The Effects of changes in Foreign Exchange Rates
<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 9</b>	Revenue from Exchange Transactions
<b>GRAP 10</b>	Financial Reporting in Hyperinflationary Economics
<b>GRAP 11</b>	Construction Contracts
<b>GRAP 12</b>	Inventories
<b>GRAP 13</b>	Leases
<b>GRAP 14</b>	Events after the reporting date
<b>GRAP 16</b>	Investment Property
<b>GRAP 17</b>	Property, Plant and Equipment (PPE)
<b>GRAP 19</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>GRAP 100</b>	Non-Current Assets Held for Sale and Discontinued Operations
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS 6 (AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IFRS 7 (AC144)</b>	Financial Instruments: Disclosure
<b>IAS 12 (AC102)</b>	Income Taxes

<b>IAS 19 (AC116)</b>	Employee Benefits
<b>IAS 32 (AC125)</b>	Financial Instruments: Presentation
<b>IAS 39 (AC133)</b>	Recognition and Measurement
<b>SIC – 21 (AC421)</b>	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
<b>SIC – 25 (AC425)</b>	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
<b>SIC – 29 (AC429)</b>	Service Concessions Arrangements – Disclosures
<b>IFRIC 2 (AC435)</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447) IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC449)</b>	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories;  
 GRAP 16 – Investment Property;  
 GRAP 17 – Property, Plant and Equipment;  
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;  
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;  
 GRAP 102 – Intangible Assets.

## **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

### **1.4. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1, has been provided in the notes to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<b>GRAP 18</b>	Segment Reporting
<b>GRAP 21</b>	Impairment of non-cash-generating assets
<b>GRAP 23</b>	Revenue from Non-Exchange Transactions (Taxes and Transfers)
<b>GRAP 24</b>	Presentation of Budget Information in Financial Statements
<b>GRAP 26</b>	Impairment of cash-generating assets
<b>GRAP 103</b>	Heritage Assets
<b>GRAP 104</b>	Financial Instruments

Principles of GRAP 23 were applied in formulating the accounting treatment of non-exchange revenue, where the application of only GAMAP 9, as required by GRAP 9 until GRAP 23 is effective, is insufficient.

### **1.6. RESERVES**

#### **1.6.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

#### **1.6.2 Social Contribution Reserve**

Theewaterskloof Municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.
- As a local government, we are able to guide business sector into focus areas, which our communities have identified as their priority areas (through the IDP engagements), where private sector contributions would make a tangible difference.

Theewaterskloof Municipality recognises that business are not social development experts and therefore, the social development contributions ascribed can be contributed via the mechanism of financial and/or in-kind grant making, to the Municipality.

Contribution: 1% of selling price of property.

## **1.7. LEASES**

### **1.7.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

### **1.7.2 Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **1.8. UNSPENT CONDITIONAL GRANTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as part of the municipality's general investments until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### **1.9. PROVISIONS**

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

#### **1.10. EMPLOYEE BENEFITS**

##### ***(a) Post Retirement Medical obligations***

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### ***(b) Long Service awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

##### ***(c) Accrued Leave Pay***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

### **1.11. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

### **1.12. PROPERTY, PLANT AND EQUIPMENT**

#### **1.12.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.12.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### **1.12.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<b><u>Finance lease assets</u></b>			
Office equipment	3		
Other assets	5		

### **1.12.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.13. INTANGIBLE ASSETS**

### **1.13.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.



The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.13.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.13.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b><u>Years</u></b>
Computer Software	5
Computer Software Licenses	5

#### **1.13.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as

the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.14. INVESTMENT PROPERTY**

##### **1.14.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

##### **1.14.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

##### **1.14.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<b><u>Investment Property</u></b>	<b>Years</b>
Buildings	30

#### **1.14.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.15. NON-CURRENT ASSETS HELD FOR SALE**

#### **1.15.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **1.15.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS**

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

## **1.17. INVENTORIES**

### **1.17.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.17.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

## **1.18. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

### **1.18.1 Initial Recognition**

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

### **1.18.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

**1.18.2.2      Trade and Other Receivables**

Trade and other receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.18.2.3      Trade Payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.18.2.4      Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **1.18.3 De-recognition of Financial Instruments**

#### **1.18.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.18.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### **1.18.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## **1.19. REVENUE**

### **1.19.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions, including Government Grants and subsidies, refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

### **1.19.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or



- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### **1.19.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised. To qualify as a conditional grant, the conditions of the grant must be clearly stipulated including:

- 1) The required outputs and outcomes; and
- 2) That any unspent portion must be repaid to the grantor.

## **1.20. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **1.21. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **1.22. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office

Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.23. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.24. CONTINGENT LIABILITIES**

All known contingent liabilities are reflected in the financial statements.

### **1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### ***Operating lease commitments – the Municipality as lessor***

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

#### ***Pension and other post-employment benefits***

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### ***Impairment of trade receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### ***Property, plant and equipment***

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations. All known contingent liabilities are reflected in the notes to the financial statements.

***Revenue Recognition***

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above), specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.26. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**1.27. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

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THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>2 NET ASSET RESERVES</b>		
RESERVES	30,650	747,368
Capital Replacement Reserve	-	716,718
Social Contribution Reserve	30,650	30,650
<b>Total Net Asset Reserve and Liabilities</b>	<b>30,650</b>	<b>747,368</b>
<b>3 LONG TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	49,464,699	54,625,630
Hire Purchase	-	-
Stock loans	33,177,960	33,177,960
Capitalised Lease Liability - At amortised cost	172,887	284,206
Balance previously reported	-	310,117
Correction of error - Note 34.03	-	(25,911)
	<b>82,815,546</b>	<b>88,087,796</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>(4,710,598)</b>	<b>(4,985,238)</b>
Annuity Loans - At amortised cost	4,577,571	4,838,277
Capitalised Lease Liability - At amortised cost	133,027	166,489
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>78,104,948</b>	<b>83,102,558</b>
Annuity loans at amortised cost is calculated at 9.46%-16.5% interest rate, with first maturity date of 31 December 2009 and last maturity date of 31 December 2024.		
The obligations under finance leases are scheduled below:		
	<b>Minimum lease payments</b>	
Amounts payable under finance leases:		
Payable within one year	147,223	176,282
Payable within two to five years	41,469	144,556
	188,692	320,838
<b>Less:</b> Future finance obligations	<b>(15,805)</b>	<b>(36,632)</b>
<b>Present value of lease obligations</b>	<b>172,887</b>	<b>284,206</b>
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
Leases are secured by property, plant and equipment - Note 12		
<b>4 EMPLOYEE BENEFITS</b>		
Post Retirement Benefits - Refer to Note 4.1	18,973,693	17,096,098
Long Service Awards - Refer to Note 4.2	2,405,412	2,080,043
<b>Total Non-current Employee Benefit Liabilities</b>	<b>21,379,105</b>	<b>19,176,141</b>
<b><u>Post Retirement Benefits</u></b>		
Balance 1 July	17,762,374	14,781,876
Contribution for the year	2,595,722	1,943,999
Expenditure for the year	(669,706)	(601,666)
Actuarial Loss/(Gain)	3,430	1,638,165
<b>Total post retirement benefits 30 June</b>	<b>19,691,820</b>	<b>17,762,374</b>
<b>Less:</b> Transfer of Current Portion - Note 7	<b>(718,127)</b>	<b>(666,276)</b>
<b>Balance 30 June</b>	<b>18,973,693</b>	<b>17,096,098</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	2,306,200	1,868,134
Contribution for the year	574,328	361,678
Expenditure for the year	(293,712)	(108,885)
Actuarial Loss/(Gain)	67,555	185,273
<b>Total long service 30 June</b>	<b>2,654,371</b>	<b>2,306,200</b>
<b>Less:</b> Transfer of Current Portion - Note 7	<b>(248,959)</b>	<b>(226,157)</b>
<b>Balance 30 June</b>	<b>2,405,412</b>	<b>2,080,043</b>
	<b>2010</b>	<b>2009</b>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	R	R
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
Balance 1 July	20,068,574	16,650,010
Contribution for the year	3,170,050	2,305,677
Expenditure for the year	(963,418)	(710,551)
Actuarial Loss/(Gain)	70,985	1,823,438
<b>Total employee benefits 30 June</b>	<b>22,346,191</b>	<b>20,068,574</b>
<b>Less:</b> Transfer of Current Portion - Note 7	(967,086)	(892,433)
<b>Balance 30 June</b>	<b>21,379,105</b>	<b>19,176,141</b>

4 **EMPLOYEE BENEFITS (CONTINUE)**

4.1 **Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	149	149
Continuation members (e.g. Retirees, widows, orphans)	26	26
<b>Total Members</b>	<b>175</b>	<b>175</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	9,874,750	8,907,201
Continuation members	9,817,070	8,855,173
<b>Total Liability</b>	<b>19,691,820</b>	<b>17,762,374</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Hosmed  
Samwumed; and  
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R1 099 294, whereas the Interest- Cost for the next year is estimated to be R1 761 631.

Key actuarial assumptions used:	<b>2010</b>	<b>2009</b>
	<b>%</b>	<b>%</b>
<b>i) Rate of interest</b>		
Discount rate	9.11%	9.11%
Health Care Cost Inflation Rate	7.78%	7.78%
Net Effective Discount Rate	1.23%	1.23%

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	19,691,820	17,762,374
<b>Net liability/(asset)</b>	<b>19,691,820</b>	<b>17,762,374</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010 R	2009 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	17,762,374	14,781,876
Total expenses	1,926,016	1,342,333
Current service cost	1,007,524	786,428
Interest Cost	1,588,198	1,157,571
Benefits Paid	(669,706)	(601,666)
Actuarial (gains)/losses	3,430	1,638,165
Present value of fund obligation at the end of the year	19,691,820	17,762,374
<b>Less:</b> Transfer of Current Portion - Note 7	(718,127)	(666,276)
<b>Balance 30 June</b>	<b>18,973,693</b>	<b>17,096,098</b>

4

**EMPLOYEE BENEFITS (CONTINUE)**

**Sensitivity Analysis on the Accrued Liability**

	Current Service Cost	Interest Cost	Total	% change
<b>Assumption 2010</b>				
Central Assumptions	1,007,500	1,588,200	2,595,700	

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost	Interest Cost	Total	% change
Health care inflation	1%	1,245,300	1,834,100	3,079,400	18.6%
Health care inflation	-1%	823,400	1,387,500	2,210,900	-14.8%
Post-retirement mortality	-1 year	1,038,800	1,646,500	2,685,300	3.5%
Average retirement age	-1 year	1,136,200	1,657,100	2,793,300	7.6%
Withdrawal Rate	-50%	1,181,300	1,673,300	2,854,600	10.0%

	Current Service Cost	Interest Cost	Total	% change
<b>Assumption 2009</b>				
Central Assumptions	786,400	1,157,600	1,944,000	

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (Rm)	Interest Cost (Rm)	Total (Rm)	% change
Health care inflation	1%	962,000	1,337,900	2,299,900	18.3%
Health care inflation	-1%	649,600	1,010,400	1,660,000	-14.6%
Post-retirement mortality	-1 year	811,500	1,200,500	2,012,000	3.5%
Average retirement age	-1 year	729,400	1,206,400	1,935,800	-0.4%
Withdrawal Rate	-50%	909,800	1,216,600	2,126,400	9.4%

**4.2 Retirement funds**

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2008 - 106.5%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.

**CAPE JOINT RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2008 - 103.3%).

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of IAS 19, multi-employer plans are defined as defined benefit plans. IAS 19 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in IAS 19.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

**MUNICIPAL COUNCILLORS PENSION**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future.

**4.3 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. As at year end, 542 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R407 235, whereas the Interest cost for the next year is estimated to be R232 191.

Key actuarial assumptions used:

**i) Rate of interest**

	2010 %	2009 %
Discount rate	9.17%	9.17%
General Salary Inflation (long-term)	6.56%	6.56%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.45%	2.45%

The amounts recognised in the Statement of Financial Position are as follows:

	2010 R	2009 R
Present value of fund obligations	2,654,371	2,306,200
<b>Net liability/(asset)</b>	<b>2,654,371</b>	<b>2,306,200</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	2,306,200	1,868,134
Total expenses	280,616	252,793
Current service cost	373,035	219,771
Interest Cost	201,293	141,907
Benefits Paid	(293,712)	(108,885)
Actuarial (gains)/losses	67,555	185,273
Present value of fund obligation at the end of the year	2,654,371	2,306,200
<b>Less:</b> Transfer of Current Portion - Note 7	(248,959)	(226,157)
<b>Balance 30 June</b>	<b>2,405,412</b>	<b>2,080,043</b>

**Sensitivity Analysis on changes to the Unfunded Accrued Liability**

Assumption	Change	Current Service Cost	Interest Cost	Total	% change
<b>Assumption 2010</b>					
Central assumptions		373,035	201,293	574,328	
General salary inflation	1%	397,166	216,515	613,681	7.0%
General salary inflation	-1%	351,762	187,639	539,401	-6.0%
Average retirement age	2 yrs	398,275	227,052	625,327	9.0%
Average retirement age	-2 yrs	342,885	170,747	513,632	-11.0%
Withdrawal rates	-50%	468,415	246,348	714,763	24.0%
<b>Assumption 2009</b>					
Central assumptions		219,771	141,907	361,678	
General salary inflation	1%	236,672	152,803	389,475	8.0%
General salary inflation	-1%	204,882	132,121	337,003	-7.0%
Average retirement age	2 yrs	196,187	120,040	316,227	-13.0%
Average retirement age	-2 yrs	236,901	159,747	396,648	10.0%
Withdrawal rates	-50%	290,236	174,997	465,233	29.0%

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>5 NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites	-	-
<b>Total non-current provision liabilities</b>	<b>-</b>	<b>-</b>
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.1		
The municipality did not measure the rehabilitation costs of the refuse sites. It is expected to measure the costs and include it in the 2010/2011 financial statements. The timing of future payments will be determined when measurement takes place.		
<b>6 CONSUMER DEPOSITS</b>		
Water & Electricity	2,942,496	2,697,122
<b>Total Consumer Deposits</b>	<b>2,942,496</b>	<b>2,697,122</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>266,050</b>	<b>266,050</b>
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
<b>7 CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Retirement Benefits - Note 4	718,127	666,276
Current Portion of Long-Service Provisions - Note 4	248,959	226,157
Performance Bonuses	654,256	408,453
Balance previously reported	-	-
Change in accounting policy - refer note 33.03	-	408,453
Pension fund shortfall	646,326	-
Compensation for injuries on duty contribution	493,883	-
Task Implementation	725,308	-
Staff Leave	6,031,104	5,222,716
Balance previously reported	-	-
Change in accounting policy - refer note 33.03	-	5,222,716
Pension	48,478	48,478
Balance previously reported	-	-
Change in accounting policy - refer note 33.03	-	48,478
Group Insurance	70,932	16,503
Balance previously reported	-	-
Change in accounting policy - refer note 33.03	-	16,503
<b>Total Current Employee Benefits</b>	<b>9,637,373</b>	<b>6,588,583</b>
The movement in current employee benefits are reconciled as follows:		
<b><u>Performance Bonuses</u></b>		
Balance at beginning of year	408,453	-
Contribution to current portion	654,256	408,453
Expenditure incurred	(408,453)	-
Balance at end of year	<b>654,256</b>	<b>408,453</b>
Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
<b><u>Pension Fund shortfall</u></b>		
Balance at beginning of year	-	-
Contribution	646,326	-
Balance at end of year	<b>646,326</b>	-
The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.		



THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b><u>Compensation for injuries on duty contribution</u></b>		
Balance at beginning of year	-	-
Contribution to provision	493,883	-
Balance at end of year	<b>493,883</b>	-

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

**Task implementation**

Balance at beginning of year	-	-
Contribution to provision	725,308	-
Balance at end of year	<b>725,308</b>	-

An agreement was reached on the implementation of a national salary grading structure with backpay to be paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.

**Staff Leave**

Balance at beginning of year	5,222,716	4,820,569
Contribution	1,246,900	402,147
Expenditure incurred	(438,511)	-
Balance at end of year	<b>6,031,105</b>	<b>5,222,716</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**Pension**

Balance at beginning of year	48,478	48,478
Contribution	-	-
Expenditure incurred	-	-
Balance at end of year	<b>48,478</b>	<b>48,478</b>

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

**Group Insurance**

Balance at beginning of year	16,503	16,503
Contribution to current provision	54,429	-
Balance at end of year	<b>70,932</b>	<b>16,503</b>

Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. There is no possibility of reimbursement.

8

**PROVISIONS**

Performance Bonuses	-	-
Balance previously reported	-	408,453
Change in accounting policy - refer to notes 7 and 33.03	-	(408,453)
Pension	-	-
Balance previously reported	-	48,478
Change in accounting policy - refer to notes 7 and 33.03	-	(48,478)
Group Insurance	-	-
Balance previously reported	-	16,503
Change in accounting policy - refer to notes 7 and 33.03	-	(16,503)
<b>Total Provisions</b>	<b>-</b>	<b>-</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>	<b>2010 R</b>	<b>2009 R</b>
	Trade Payables	7,393,474	10,663,737
	Balance previously reported	-	10,824,329
	Change in accounting policy - refer to notes and	-	(160,592)
	Interest Accrued	808,985	1,204,489
	Payments received in advance	2,892,187	3,135,340
	Retentions	3,577,361	3,088,025
	Staff Leave	-	-
	Balance previously reported	-	5,222,716
	Change in accounting policy - refer to notes 7 and 33.01	-	(5,222,716)
	Sundry Deposits	793,483	320,445
	Balance previously reported	-	681,540
	Change in accounting policy - refer to note 33.01	-	(361,095)
	<b>Total Trade Payables</b>	<b>15,465,490</b>	<b>18,412,036</b>

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

Sundry deposits include Hall, Builders and Housing Deposits.

<b>10</b>	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
	<b>Unspent Grants</b>	7,148,626	8,428,213
	National and Provincial Government Grants	7,148,626	8,428,213
	Other Sources	-	-
	<b>Less:</b> Unpaid Grants	29,538	-
	National and Provincial Government Grants	29,538	-
	Other Sources	-	-
	<b>Total Conditional Grants and Receipts</b>	<b>7,119,088</b>	<b>8,428,213</b>

See Note 51 for a reconciliation of grants. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

<b>11</b>	<b>TAXES</b>		
	VAT Payable	8,732,487	7,799,261
	VAT Receivable	(3,439,592)	(2,913,971)
		<b>5,292,895</b>	<b>4,885,290</b>

VAT is payable/receivable on the cash basis.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## 12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

## Reconciliation of Carrying Value

	Land and Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
<b>Carrying value at 1 JULY 2009</b>	69,959,419	165,120,656	6,312,970	343,610	18,587,644	260,324,299
Cost	100,346,808	254,388,516	12,606,734	1,729,820	39,972,256	409,044,134
Correction of error - Cost - Note 34.04					(73,280)	(73,280)
Accumulated Depreciation	(30,387,389)	(89,267,860)	(6,293,764)	(1,386,210)	(21,314,264)	(148,649,487)
Correction of error - Accumulated depreciation - Note 34.03					2,932	2,932
Acquisitions	1,359,498	38,678,037	272,445	55,171	3,776,949	44,142,100
Depreciation	(3,023,052)	(11,388,132)	(494,318)	(150,326)	(4,759,124)	(19,814,952)
Carrying value of disposals	(30,000)	-	-	-	(88,189)	(118,189)
Cost	(30,000)	-	-	-	(1,023,078)	(1,053,078)
Accumulated Depreciation	-	-	-	-	934,889	934,889
<b>Carrying value at 30 JUNE 2010</b>	68,265,865	192,410,561	6,091,098	248,455	17,517,279	284,533,258
Cost	101,676,306	293,066,553	12,879,179	1,784,991	42,652,847	452,059,876
Accumulated Depreciation	(33,410,441)	(100,655,992)	(6,788,082)	(1,536,536)	(25,135,567)	(167,526,618)

## Reconciliation of Carrying Value

	Land and Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
<b>Carrying value at 1 JULY 2008</b>	54,279,240	139,596,507	6,773,584	312,201	16,054,218	217,015,750
Cost	82,502,087	219,332,716	12,575,716	1,517,100	33,229,145	349,156,764
Accumulated Depreciation	(28,222,847)	(79,736,209)	(5,802,132)	(1,204,899)	(17,174,927)	(132,141,014)
Acquisitions	18,205,225	35,055,800	31,018	212,720	7,219,575	60,724,338
Depreciation	(2,435,871)	(9,531,651)	(491,632)	(181,311)	(4,555,065)	(17,195,530)
Carrying value of disposals	(89,175)	-	-	-	(27,711)	(116,886)
Cost	(360,504)	-	-	-	(325,240)	(685,744)
Accumulated Depreciation	271,329	-	-	-	297,529	568,858
Impairment losses	-	-	-	-	(33,025)	(33,025)
<b>Carrying value at 30 JUNE 2009</b>	69,959,419	165,120,656	6,312,970	343,610	18,657,992	260,394,647
Cost	100,346,808	254,388,516	12,606,734	1,729,820	39,972,256	409,044,134
Accumulated Depreciation	(30,387,389)	(89,267,860)	(6,293,764)	(1,386,210)	(21,314,264)	(148,649,487)

## 12 PROPERTY, PLANT AND EQUIPMENT

## GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;  
Property, Plant and Equipment financed by way of provisions;  
Componentised infrastructure assets.

The municipality is currently in a process of measuring all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2010/2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality therefore utilised the transitional provision in the following areas:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
<b>Fully Depreciated assets still in use were as follows:</b>		
Cost	<b>28,545,152</b>	<b>12,169,335</b>
Land and Buildings	20,832,300	-
Infrastructure	4,408,464	2,305,951
Lease Assets	132,900	1,174,400
Heritage	-	-
Other	3,171,488	8,688,984
Accumulated depreciation	<b>28,525,152</b>	<b>11,787,672</b>
Land and Buildings	20,832,300	-
Infrastructure	4,408,464	2,305,951
Lease Assets	132,900	1,174,400
Other	3,151,488	8,307,321
Carrying value	<b>20,000</b>	<b>381,663</b>

The municipality did not measure non-current assets held for sale and temporary idle property, plant and equipment in terms of Directive 4.

**Assets pledged as security:**

No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.

**Third party payments received for losses incurred:**

Payments received (Excluding VAT)	523,081	673,635
Carrying value of assets written off/lost	-	80,488
Surplus/Deficit	<b>523,081</b>	<b>593,148</b>

**Impairment of property plant and equipment**

There was no impairment charges on Property, plant and equipment recognised in the statement of financial performance. The municipality opted to take advantage of the transitional provisions in Directive 4.

**Effect of changes in accounting estimates**

There were no changes in accounting estimates as the municipality opted to take advantage of the transitional provisions in Directive 4.

**Details of property plant and equipment carried at fair value**

Property, Plant and Equipment are carried at cost. No revaluations were performed.

**13 INVESTMENT PROPERTY**

<b>Net Carrying amount at 1 July</b>	<b>29,860,813</b>	<b>31,888,740</b>
Cost	46,167,374	43,428,710
Correction of error - Cost - Note 34.01	-	4,268,167
Accumulated Depreciation	(16,306,561)	(15,395,604)
Correction of error - Accumulated depreciation - Note 34.01	-	(412,533)
Disposals	(211,018)	(1,529,503)
Depreciation for the year	(551,439)	(483,690)
Correction of error - Depreciation for the year - Note 34.01	-	(14,733)
<b>Net Carrying amount at 30 June</b>	<b>29,098,356</b>	<b>29,860,813</b>
Cost	45,956,356	46,167,374
Accumulated Depreciation	(16,858,000)	(16,306,561)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.3

Revenue derived from the rental of investment property	<b>1,857,694</b>	<b>558,392</b>
Operating expenditure incurred on properties generating revenue	-	-
Operating expenditure incurred on properties not generating revenue	<b>115,227</b>	<b>13,341</b>

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The fair value of Investment Properties was not determined in accordance with Directive 4.

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THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>14 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>422,037</b>	<b>78,877</b>
Cost	640,846	197,464
Accumulated Amortisation	(218,809)	(118,587)
Correction of error - Cost - Note 34.02	-	73,280
Correction of error - Amortisation - Note 34.02	-	(2,932)
Acquisitions	1,232,747	370,102
Amortisation	(176,339)	(97,290)
<b>Net Carrying amount at 30 June</b>	<b>1,478,444</b>	<b>422,037</b>
Cost	1,873,593	640,846
Accumulated Amortisation	(395,148)	(218,809)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.4

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2010 R	2009 R
Computer software	5 Years	<u>1,478,444</u>	<u>422,037</u>

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

<b>15 LONG TERM RECEIVABLES</b>		
Officials' Housing Loans - At amortised cost	56,086	59,701
Sport Club and Other Loans - At amortised cost	2,477	104,961
<b>Less:</b> Unamortised Discount on Loans	(8,463)	(15,159)
Balance 1 July	(15,159)	(18,349)
Adjustment for the period	6,697	3,190
	<u>50,101</u>	<u>149,503</u>
<b>Less:</b> Current portion transferred to current receivables	(6,320)	(12,160)
Officials Housing Loans - At amortised cost	(3,844)	(3,881)
Sport Club Loans - At amortised cost	(2,477)	(8,279)
	<u>43,780</u>	<u>137,343</u>
<b>Less:</b> Provision for Impairment of Long Term Receivables	-	(45,390)
<b>Total Long Term Receivables</b>	<b><u>43,780</u></b>	<b><u>91,953</u></b>

**HOUSING LOANS**

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

**SPORT CLUB AND OTHER LOANS**

Sport Club loans are not anymore granted by the municipality. The outstanding amount relates to the Caledon Child and Family Care Organisation which is repayable in 2011. Loans to the value of R 96 006 for Sport Clubs were written off during the year.

All remaining amounts are collectable.

<b>16 INVENTORY</b>		
Water – at cost	97,479	85,630
<b>Total Inventory</b>	<b><u>97,479</u></b>	<b><u>85,630</u></b>

The municipality does not control stores for inventory and makes use of a direct payment system. A reconciliation of water losses is included in Note 40.4

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.5

Land held for sale

2010 2009

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	R	R
17		Restated - Refer Note 34.06
<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<i>Service Receivables</i>		
Electricity	5,391,139	4,137,901
Water	29,773,042	21,798,986
Refuse	19,550,640	15,524,134
Sewerage	20,654,541	17,289,673
<b>Total Service Receivables</b>	<b>75,369,361</b>	<b>58,750,693</b>
Less: Allowance for Doubtful Debts	(60,226,477)	(47,398,806)
<b>Net Service Receivables</b>	<b>15,142,884</b>	<b>11,351,887</b>
<i>Other Receivables</i>		
Sundry Receivables	4,169,571	2,248,283
<b>Total Other Receivables</b>	<b>4,169,571</b>	<b>2,248,283</b>
Less: Allowance for Doubtful Debts	(2,610,595)	-
<b>Net Other Receivables</b>	<b>1,558,976</b>	<b>2,248,283</b>
<b>Total Net Receivables from Exchange Transactions</b>	<b>16,701,860</b>	<b>13,600,170</b>

TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

<i>Service Receivables</i>		
Rates	25,021,036	22,739,701
Other Receivables	2,855,380	6,344,434
Accrued Fines	403,629	585,239
<b>Total Service Receivables</b>	<b>28,280,046</b>	<b>29,669,374</b>
Less: Allowance for Doubtful Debts	(21,725,151)	(24,010,190)
<b>Net Service Receivables</b>	<b>6,554,895</b>	<b>5,659,184</b>
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>6,554,895</b>	<b>5,659,184</b>

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2010</b>				
Total Receivables	99,474,248	3,315,043	5,029,687	107,818,978
Less: Provision for doubtful debts	(81,659,014)	(2,903,209)	-	(84,562,223)
<b>Total Recoverable debtors by customer classification</b>	<b>17,815,235</b>	<b>411,834</b>	<b>5,029,687</b>	<b>23,256,755</b>

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2009</b>				
Total Receivables	86,201,128	2,389,683	2,077,539	90,668,350
Less: Provision for doubtful debts	(71,408,996)	-	-	(71,408,996)
<b>Total Recoverable debtors by customer classification</b>	<b>14,792,132</b>	<b>2,389,683</b>	<b>2,077,539</b>	<b>19,259,354</b>

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<u>The ageing of amounts past due but not impaired is as follows:</u>			
<b>2010</b>			
1 month past due	3,921,006	578,665	4,499,671
2 + months past due	6,742,202	2,160,950	8,903,152
<b>Total</b>	<b>10,663,208</b>	<b>2,739,615</b>	<b>13,402,823</b>
	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**2009**

1 month past due	420,587	202,447	623,034
2 + months past due	4,704,886	5,158,032	9,862,918
<b>Total</b>	<b>5,125,473</b>	<b>5,360,479</b>	<b>10,485,952</b>

All Non-Government debtors were either specifically impaired or subject to collective impairment.

**Trade and other receivables impaired**

**2010**

	<b>Exchange Transactions R's</b>	<b>Non-Exchange Transactions R's</b>	<b>Total R's</b>
Total	<u>(62,837,072)</u>	<u>(21,725,151)</u>	<u>(84,562,223)</u>

**2009**

	<b>Exchange Transactions R's</b>	<b>Non-Exchange Transactions R's</b>	<b>Total R's</b>
Total	<u>(47,398,806)</u>	<u>(24,010,190)</u>	<u>(71,408,996)</u>

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.  
The fair value of trade and other receivables approximates their carrying amounts.

**Reconciliation of the Total doubtful debt provision**

	<b>2010 R</b>	<b>2009 R</b>
Balance at beginning of the year	71,408,996	63,179,544
Contributions to provision	18,276,732	24,480,300
Doubtful debts written off against provision	(5,123,505)	(16,250,848)
<b>Balance at end of year</b>	<b><u>84,562,223</u></b>	<b><u>71,408,996</u></b>

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

**18 OPERATING LEASE ARRANGEMENTS**

**18.1 The Municipality as Lessee**

<b>Balance on 1 July</b>	1,685	10,069
Movement during the year	6,610	(8,384)
<b>Balance on 30 June</b>	<b><u>8,295</u></b>	<b><u>1,685</u></b>

Theewaterskloof Municipality is leasing plot no. 538, in Caledon, from Tresso Trading 525 (Pty) Ltd for 3 year during the period September 2006 to August 2009 with a escalation of 8% per year.

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	283,042	23,328
1 to 5 Years	44,810	-
<b>Total Operating Lease Arrangements</b>	<b><u>327,852</u></b>	<b><u>23,328</u></b>

**18.2 The Municipality as Lessor**

<b>Balance on 1 July</b>	851,253	2,172
Operating Lease Asset previously not recognised - Note 34.09	-	24,759
<b>Restated Balance on 1 July</b>	851,253	26,931
Operating Lease Asset for the current year (restated 2009)	752,507	824,322
<b>Balance on 30 June</b>	<b><u>1,603,760</u></b>	<b><u>851,253</u></b>

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 24-119 months with escalations of between 1% and 12% per year.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010 R</b>	<b>2009 R</b>
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	2,182,377	2,049,021
1 to 5 Years	10,563,471	9,610,881
More than 5 Years	9,085,650	11,953,097
<b>Total Operating Lease Arrangements</b>	<b>21,831,498</b>	<b>23,612,999</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for period ranging until 2094

**19 CASH AND CASH EQUIVALENTS**

**Assets**

Call Investments Deposits	4,987,046	25,484,760
Primary Bank Account	2,369,704	5,580,722
Cash Floats	5,000	5,070
<b>Total Cash and Cash Equivalents - Assets</b>	<b>7,361,750</b>	<b>31,070,552</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

Call Investments Deposits to an amount of R7 148 626 are held to fund the Unspent Conditional Grants (2009: R8 428 213).

Bank overdraft of R2 000 000 exists at ABSA and ABSA also has one guarantee of R15 000 in the name of the beneficiary, Eskom.

An amount of R 451 898, included in Call Investment Deposits above, is invested in the Corporate Money Managers Cash Management Portfolio, which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue and it is not expected that capital losses will be incurred. The dates of future cashflows are not known at the reporting date.

The municipality has the following bank accounts:

**Current Accounts**

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):	2,369,704	5,580,722
	<b>2,369,704</b>	<b>5,580,722</b>
<b>Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):</b>		
Cash book balance at beginning of year	5,580,722	11,671,623
Cash book balance at end of year	2,369,704	5,580,722
Bank statement balance at beginning of year	6,726,645	11,825,236
Bank statement balance at end of year	2,122,695	6,726,645

**20 PROPERTY RATES**

**Actual** (Restated 2009)

**Rateable Land and Buildings**

Residential, Commercial Property, State	38,728,921	34,081,633
	<b>38,728,921</b>	<b>34,081,633</b>
<b>Total Assessment Rates</b>	<b>38,728,921</b>	<b>34,081,633</b>

**Valuations - 1 JULY 2009**

**Rateable Land and Buildings**

	9,224,254,500	3,008,779,183
Residential	3,501,041,500	1,079,154,903
Business & Commercial	701,400,000	293,526,500
Public benefit Organizations	216,319,500	98,511,400
State-owned	143,412,000	61,009,800
Agricultural	4,027,855,500	1,328,379,440
Other	634,226,000	148,197,140
<b>Total Assessment Rates</b>	<b>9,224,254,500</b>	<b>3,008,779,183</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows:  
Residential - The first R15 000 on the valuation is exempted.



**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>Rebates on Income - Basic Rate:</b>		
Residential	0.53c/R	1.6c/R
Commercial	1.06c/R	1.8c/R
Industrial, Agricultural and Casino	1.06c/R	2.0c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**21 GOVERNMENT GRANTS AND SUBSIDIES**

<b>Unconditional Grants</b>	<b>33,166,640</b>	<b>26,553,860</b>
Equitable Share - Refer to Note 21.1	33,166,640	26,553,860
<b>Conditional Grants</b>	<b>58,678,651</b>	<b>33,004,435</b>
MIG Funds	22,691,741	11,847,701
Spatial Dev Framework	12,084	852,942
MSIG Funds	1,300,000	963,919
CDW's	428,778	29,031
Finance Management Grant	1,018,170	588,958
GIS	8,074	183,616
LGSETA	273,314	56,030
DBSA Collaborator	858,925	-
DBSA Debtpack	341,706	-
DBSA Local Economic Development	404,301	-
DBSA Performance Management System	309,127	-
Masibambani DWAF	-	78,398
IMQS	250,000	-
Culemborg Play Parks	-	12,852
Toilets Grabouw	-	21,076
National Electrification Programme	2,337,000	309,906
Housing	27,124,583	12,636,707
Genadendal Water Upgrade	3,280	5,335
Dennekruin Town Establishment	-	32,171
Sportsfields Villiersdorp	22,256	18,166
Multi-purpose Panelvan	218,925	-
Main Roads: Subsidy	252,000	1,452,722
Subsidy: Library	491,000	520,469
Sportsfield : Caledon	308,057	-
Sportsfields: Grabouw	2,531	-
PAWK	-	3,261,967
Botrivier Development Policy	22,800	132,469
<b>Total Government Grants and Subsidies</b>	<b>91,845,291</b>	<b>59,558,295</b>

The municipality does not expect any significant changes to the level of grants.

**21.1 Equitable share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R228 per month (2009: R152).

See Note 51 for a reconciliation of all grants

**22 SERVICE CHARGES**

Electricity	37,931,233	31,934,790
Water	31,259,234	29,901,334
Refuse removal	13,145,598	14,807,705
Sewerage and Sanitation Charges	12,878,806	14,428,847
Other Service Charges	186,420	1,020,197
Balance previously reported - Other Service Charges	-	1,617,376
Less: Reclassification of line items - Note 34.1	-	(597,179)
Less: Reclassification of income foregone - Note 34.1	-	(8,402,698)
Less: Reclassification of internal service charges - Note 34.1	-	(1,222,366)
<b>Total Service Charges</b>	<b>95,401,291</b>	<b>82,467,808</b>

Income foregone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010 R</b>	<b>2009 R</b>
<b>23 OTHER INCOME</b>		
Other income represents sundry income such as administration income, building plans and legal income.	4,322,090	4,490,413
Add: Reclassification of line items - Note 34.1	-	649,277
<b>Total Other Income</b>	<b>4,322,090</b>	<b>5,139,690</b>
<b>24 FAIR VALUE ADJUSTMENTS</b>		
Unamortised Discount - Interest	6,697	3,190
	<b>6,697</b>	<b>3,190</b>
<b>25 EMPLOYEE RELATED COSTS</b>		
Other Allowance	614,066	558,696
Housing Subsidy	679,805	716,923
Bonus	4,297,695	3,692,458
Standby Allowances	825,986	394,824
Workmens Compensation Contributions	493,883	819,433
Overtime	2,081,137	2,160,612
Salaries	52,540,767	43,674,020
Leave Reserve Fund	1,246,900	1,076,934
Transport Allowance	4,726,152	4,288,307
Group Insurance	900,874	773,172
Medical Aid Contribution	2,623,596	2,165,870
Pension Fund Contribution	9,158,895	7,192,022
Unemployment Fund	515,301	449,021
Contribution to provision - Task Implementation	725,308	-
Contribution to provision - Long Service Awards	373,035	108,885
Contribution to provision - Post Retirement Medical	1,007,524	601,666
Contribution to provision	-	186,763
Actuarial losses	-	-
Previously Reported	-	1,823,438
Less: Reclassify to Actuarial losses - Note 34.1	-	(1,823,438)
Post Retirement Finance Charges	1,789,491	1,299,470
<b>Total Employee Related Costs</b>	<b>84,600,414</b>	<b>70,159,076</b>
<b>KEY MANAGEMENT PERSONNEL</b>		
Municipal Manager is appointed on a 7-year and Chief Financial Officer and Director: Corporate Services on a 10-year fixed contract, and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.		
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<i><b>Remuneration of the Municipal Manager</b></i>		
Annual Remuneration	817,743	677,810
Car Allowance	125,641	125,641
Contributions to UIF, Medical and Pension Funds	24,231	19,912
<b>Total</b>	<b>967,615</b>	<b>823,363</b>
<i><b>Remuneration of the Director Technical Services</b></i>		
Annual Remuneration	705,593	535,100
Car Allowance	120,000	110,000
Contributions to UIF, Medical and Pension Funds	1,497	38
<b>Total</b>	<b>827,090</b>	<b>645,138</b>
<i><b>Remuneration of the Director Corporate Services</b></i>		
Annual Remuneration	650,082	548,993
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	117,008	94,794
<b>Total</b>	<b>827,090</b>	<b>703,787</b>
<i><b>Remuneration of the Director Development Services</b></i>		
Annual Remuneration	605,177	472,110
Car Allowance	120,001	120,001
Contributions to UIF, Medical and Pension Funds	101,912	111,677
<b>Total</b>	<b>827,090</b>	<b>703,788</b>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>Remuneration of the Director Financial Services</b>		
Annual Remuneration	769,535	622,668
Car Allowance	90,000	110,000
Contributions to UIF, Medical and Pension Funds	1,497	-
<b>Total</b>	<b>861,032</b>	<b>732,668</b>
<b>Remuneration of the Director Operational Services</b>		
Annual Remuneration	622,771	-
Car Allowance	57,225	-
Contributions to UIF, Medical and Pension Funds	1,373	-
<b>Total</b>	<b>681,369</b>	<b>-</b>
<b>26 REMUNERATION OF COUNCILLORS</b>		
Mayor	572,108	542,755
Deputy Mayor	424,834	439,014
Speaker	461,105	439,014
Mayoral Committee Members	1,445,482	1,025,740
Councillors	2,751,011	2,990,350
<b>Total Councillors' Remuneration</b>	<b>5,654,540</b>	<b>5,436,873</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
<b>27 DEBT IMPAIRMENT</b>		
Long term Receivables - Note 15	-	45,390
Trade Receivables from exchange- and non-exchange transactions - Note 17	18,276,732	24,480,299
<b>Total Contribution to Impairment Provision</b>	<b>18,276,732</b>	<b>24,525,689</b>
<b>28 IMPAIRMENTS</b>		
Property Plant & Equipment	-	33,025
	-	33,025
<b>29 FINANCE CHARGES</b>		
Long-term Liabilities	8,302,259	7,235,480
<b>Total finance charges</b>	<b>8,302,259</b>	<b>7,235,480</b>
<b>30 BULK PURCHASES</b>		
Electricity	22,206,524	17,317,415
Water	3,706,834	5,208,295
<b>Total Bulk Purchases</b>	<b>25,913,358</b>	<b>22,525,710</b>
<b>31 GRANTS AND SUBSIDIES</b>		
Indigent Subsidies	484,727	8,837,052
Less: Income foregone transferred to Service Charges - Note 34.1	-	(8,402,698)
<b>Total Grants and Subsidies (Direct payments to external service provider - ESCOM)</b>	<b>484,727</b>	<b>434,354</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>32 GENERAL EXPENSES</b>		
Audit Fees	1,810,764	1,234,032
Bank Charges	216,436	205,853
Clean and Green Project	374,503	299,156
Computer charges	90,416	235,984
Consulting fees	-	990,678
Fuel Cost	2,375,341	2,307,389
Impairments: Library	-	3,261,967
Insurance	952,623	723,393
Material and protective clothing	994,562	786,967
Monitoring cost	251,865	455,275
Postage	772,300	540,451
Printing and stationery	695,604	631,987
Quick Wins	2,085,750	2,614,146
Rates and taxes	790,295	551,386
Electricity - Escom	2,401,715	3,006,408
Less: Reclassification of internal service costs - Note 34.1	-	(1,222,366)
Skills development levy	598,864	501,058
Telephone	2,008,005	1,834,457
Training	18,438	577,350
Travel and subsistence	525,351	550,489
Water Purification	1,087,650	936,639
Other	3,276,547	2,496,169
General Expenses	<b>21,327,030</b>	<b>23,518,868</b>

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

		<b>2009</b>
		<b>R</b>
<b>33 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GRAP</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from a change in accounting policy:		
<b>33.01 Trade payables</b>		
<b>Balance previously reported</b>		24,156,439
Staff leave transferred to Employee Benefits - Notes 9 and		(5,222,716)
Unclaimed deposits written back - Opening balance adjustment - Notes 9 and 33.04		(151,877)
Unclaimed deposits written back - 2008/2009 adjustment - Notes 9 and 34.1		(209,218)
<b>Total</b>		<b>18,572,628</b>
<b>33.02 Provisions</b>		
<b>Balance previously reported</b>		473,434
		(473,434)
Reclassification to Employee Benefits - Notes 7 and 33.03		(473,434)
<b>Total</b>		<b>-</b>
<b>33.03 Employee Benefits</b>		
<b>Balance previously reported</b>		-
		5,696,150
Staff leave transferred from Trade and Other Payables - Notes 9 and 33.01		5,222,716
Reclassification from Provisions - Notes 7 and 33.02		473,434
<b>Total</b>		<b>5,696,150</b>
<b>33.04 Accumulated Surplus/(Deficit)</b>		
<b>Balance previously reported</b>		188,620,397
		151,877
Unclaimed deposits written back - Opening balance adjustment - Notes 9 and 33.01		151,877
<b>Total</b>		<b>188,772,274</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2009  
R

<b>34</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
<b>34.01</b>	<b>Investment Properties</b>	
	<b>Balance previously reported</b>	26,019,913
	Investment Properties not previously recognised - Cost - Notes 13 and 34.08	4,268,167
	Investment Properties not previously recognised - Acc Depreciation - Notes 13 and 34.08 and 34.1	(427,267)
	<b>Total</b>	<b>29,860,813</b>
<b>34.02</b>	<b>Intangible Assets</b>	
	<b>Balance previously reported</b>	351,689
	Intangible assets previously recognised as Property, Plant and equipment - Note 34.04 and Note 14	70,348
	<b>Total</b>	<b>422,037</b>
<b>34.03</b>	<b>Long-term Liabilities</b>	
	<b>Balance previously reported</b>	88,113,707
	Lease Liability incorrectly calculated in prior years - Notes 34.08 and 3	(25,911)
	<b>Total</b>	<b>88,087,796</b>
<b>34.04</b>	<b>Property, Plant and Equipment - GRAP 17</b>	
	<b>Balance previously reported</b>	260,394,647
	Intangible assets previously recognised as Property, Plant and equipment - Note 34.02 and Note 12	(70,348)
	<b>Total</b>	<b>260,324,299</b>
<b>34.05</b>	<b>Trade and Other Payables</b>	
	<b>Balance previously reported</b>	24,156,439
	Creditor incorrectly recognised 2008/2009 - Note 34.08	(160,592)
	<b>Total</b>	<b>23,995,847</b>
<b>34.06</b>	<b>Trade Receivables from exchange transactions</b>	
	<b>Balance previously reported</b>	60,998,976
	Revenue incorrectly recognised in 2008/2009 - Note 34.1	(587,397)
	<b>Total</b>	<b>60,411,580</b>
<b>34.07</b>	<b>Other Receivables from non-exchange transactions</b>	
	<b>Balance previously reported</b>	29,669,374
	Revenue incorrectly recognised in 2008/2009 - Note 34.1	(318,658)
	<b>Total</b>	<b>29,350,715</b>
<b>34.08</b>	<b>Accumulated Surplus/(Deficit)</b>	
	<b>Balance previously reported</b>	188,620,397
		4,066,895
	Lease Liability incorrectly calculated in prior years - Note 34.03	25,911
	Creditor incorrectly recognised 2008/2009 - Note 34.05	160,592
	Operating Lease Asset previously not recognised for opening balance - Note 18.2 and Note 34.09	24,759
	Investment Properties not previously recognised - Cost - Notes 34.01	4,268,167
	Investment Properties not previously recognised - Acc Depreciation - Notes 34.01	(412,533)
	<b>Total</b>	<b>192,687,292</b>
<b>34.09</b>	<b>Operating Lease Assets</b>	
	Operating Lease Assets recorded as they are required by GRAP.	
	<b>Balance previously reported</b>	275
	Operating Lease Asset previously not recognised for opening balance - Note 18.2 and Note 34.08	24,759
	Operating Lease Asset previously not recognised for 2008-09 - Note 18.2 and Note 34.1	826,218
	<b>Total</b>	<b>851,252</b>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2009  
R

34.10 Changes to Statement of Financial Performance

Balance previously reported

Correction of classifications - Transfer from Service Charges - Note 22	(597,179)
Correction of classifications - Transfer from Service Charges to Rental of Facilities and Equipment	157,120
Correction of classifications - Transfer from Service Charges to Other Revenue - Note 23	440,059
Correction of classifications - Transfer from General Expenses to Service Charges - Note 32	1,222,366
Correction of classifications - Transfer from General Expenses to Service Charges - Note 22	(1,222,366)
Correction of classifications - Transfer from Grants and Subsidies Paid to Service Charges - Note 31	8,402,698
Correction of classifications - Transfer from Grants and Subsidies Paid to Service Charges - Note 22	(8,402,698)
Correction of classifications - Transfer from General Expenses to depreciation	(64,781)
Correction of classifications - Transfer from General Expenses to depreciation	64,781
Correction of classifications - Transfer insurance receipts from Other Income to Third Party Payments	1,323,257
Correction of classifications - Transfer insurance receipts from Other Income to Third Party Payments	(1,323,257)
Investment Properties not previously recognised - Depreciation - Notes 34.01	(14,733)
Correction of classifications - Transfer from Employee Related Cost to Actuarial losses - Note 25	(1,823,438)
Correction of classifications - Transfer from Employee Related Cost to Actuarial losses - Note 25	1,823,438
Operating Lease Asset previously not recognised for 2008-09 - Note 18.2 and Note 34.09	826,218
Incorrect recognition of prior year revenue - Property Rates - Note 34.07	(318,658)
Incorrect recognition of prior year revenue - Service Charges - Note 34.06	(449,044)
Incorrect recognition of prior year revenue - Rent of facilities and equipment - Note 34.06	(6,948)
Incorrect recognition of prior year revenue - Interest earned - outstanding debtors - Note 34.06	(126,022)
Incorrect recognition of prior year revenue - Other - Note 34.06	(5,383)
Unclaimed deposits written back - Note 33.01	209,218

Total

10,236,892

2010  
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2009  
R

35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus for the year	9,118,430	10,236,892
<b>Adjustments for:</b>		
Depreciation	20,366,391	17,693,953
Amortisation of Intangible Assets	176,339	97,290
(Gain)/Loss on disposal of property, plant and equipment	(520,671)	(3,606,078)
Impairments	-	33,025
Contribution from/to employee benefits - non-current	3,170,050	2,305,677
Contribution from/to employee benefits - non-current - expenditure incurred	(963,418)	(710,551)
Contribution from/to employee benefits - non-current - actuarial losses	70,985	1,823,438
Contribution to employee benefits - current	3,821,102	810,600
Contribution to employee benefits - current - expenditure incurred	(846,965)	-
Contribution to provisions - bad debt	18,276,732	24,525,689
Debt Impairment written off	(5,123,505)	(16,250,847)
Operating lease income accrued	(752,507)	(824,322)
Operating lease expenses accrued	6,610	(8,384)
Interest income	(9,109,110)	(11,693,322)
Interest expense	8,302,259	7,235,480
Operating Surplus before changes in working capital	45,992,722	31,668,540
Changes in working capital	(21,010,542)	(780,118)
Increase/(Decrease) in Trade and Other Payables	(2,946,545)	3,471,814
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1,279,587)	4,861,908
Increase/(Decrease) in Taxes	407,605	684,569
(Increase)/Decrease in Inventory	(11,849)	(2,301)
(Increase)/Decrease in Trade Receivables from exchange transactions	(18,539,956)	(5,734,749)
(Increase)/Decrease in Other Receivables from non-exchange transactions	1,389,328	(4,061,359)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(29,538)	-
<b>Cash generated by operations</b>	<b>24,982,180</b>	<b>30,888,422</b>

36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 19	4,987,046	25,484,760
Cash Floats - Note 19	5,000	5,070
Bank - Note 19	2,369,704	5,580,722
<b>Total cash and cash equivalents</b>	<b>7,361,750</b>	<b>31,070,552</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010 R	2009 R
<b>37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 36	<b>7,361,750</b>	<b>31,070,552</b>
	<b>7,361,750</b>	<b>31,070,552</b>
Less:	<b>7,148,626</b>	<b>20,097,168</b>
Unspent Committed Conditional Grants - Note 10	7,148,626	8,428,213
Unspent Borrowings - Note 38	-	11,668,955
<b>Net cash resources available for internal distribution</b>	<b>213,214</b>	<b>10,973,384</b>
<b>Allocated to:</b>		
Capital Replacement Reserve	-	716,718
<b>Cash resources available for working capital requirements</b>	<b>(8,519,363)</b>	<b>10,256,666</b>

Capital expenditure to the value of R 6 853 899 to be funded from loans from the Development Bank of South Africa was in the interim incurred from own cash resources.

<b>38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 3	82,815,546	88,087,796
Used to finance property, plant and equipment - at cost	89,669,445	(76,418,841)
	(6,853,899)	11,668,955
Available cash set aside for funding of property, plant and equipment	-	(11,668,955)
Long-term liabilities to be raised for funding of property, plant and equipment	6,853,899	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.21 % and 17.82 % and

<b>39 BUDGET COMPARISONS</b>				
	<b>2010 R (Actual)</b>	<b>2010 R (Budget)</b>	<b>2010 R (Variance)</b>	<b>2010 (%)</b>
<b>39.1 Operational</b>				
<b>Revenue by source</b>				
Property Rates	38,728,921	39,071,000	(342,079)	-1%
Government Grants and Subsidies	91,845,291	96,890,884	(5,045,593)	-5%
Fines	3,591,737	3,812,000	(220,263)	-6%
Third Party Payments	1,449,361	220,000	1,229,361	559%
Service Charges	95,401,290	94,785,714	615,576	1%
Rental of Facilities and Equipment	2,091,293	2,497,880	(406,587)	-16%
Interest Earned - external investments	2,757,556	3,050,000	(292,444)	-10%
Interest Earned - outstanding debtors	6,351,554	5,500,000	851,554	15%
Licences and Permits	2,188,271	2,151,915	36,356	2%
Agency Services	1,973,519	1,588,784	384,735	24%
Other Revenue	4,322,090	9,819,756	(5,497,666)	-56%
	<b>250,700,882</b>	<b>259,387,933</b>	<b>(8,687,051)</b>	<b>-3%</b>
<b>Expenditure by nature</b>				
Employee Related Costs	(84,600,414)	(80,554,467)	(4,045,947)	5%
Remuneration of Councillors	(5,654,539)	(5,915,000)	260,461	-4%
Debt Impairment	(18,276,732)	(7,724,006)	(10,552,726)	137%
Depreciation and Amortisation	(20,542,730)	(21,701,909)	1,159,179	-5%
Repairs and Maintenance	(17,688,294)	(18,677,898)	989,604	-5%
Actuarial losses	(70,985)	-	(70,985)	100%
Finance Charges	(8,302,259)	(9,149,712)	847,453	-9%
Bulk Purchases	(25,913,357)	(28,577,898)	2,664,541	-9%
Contracted services	(8,653,412)	(11,527,444)	2,874,032	-25%
Grants and Subsidies	(484,727)	(1,152,000)	667,273	-58%
Operating Grant Expenditure	(30,595,343)	(58,986,331)	28,390,988	-48%
General Expenses	(21,327,027)	(25,254,922)	3,927,895	-16%
	<b>(242,109,820)</b>	<b>(269,221,587)</b>	<b>27,111,767</b>	<b>-10%</b>
<b>Other Gains/Losses</b>				
Fair Value Adjustments	6,697	-	6,697	100%
Gains on Disposal of PPE	520,671	-	520,671	100%
	<b>527,367</b>	<b>-</b>	<b>527,367</b>	<b>100%</b>
<b>Net Surplus for the year</b>	<b>9,118,430</b>	<b>(9,833,654)</b>	<b>18,952,084</b>	

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**Details of material variances**

**Revenue by Source**

Third Party Payments	Income for insurance claims more than anticipate
Rental of Facilities and Equipment	Budget for rental of plots - not income in terms of GRAP
Interest Earned - outstanding debtors	More Debtors due to financial climate
Agency Services	More motor vehicle transactions than anticipated
Other Revenue	Budget for Administration cost indigents - not income in terms of GRAP
Other Revenue	Budgeted for Land sales which did not materialise

**Expenditure by nature**

Debt Impairment	Budget for debt impairment insufficient
Actuarial losses	Not budgeted for actuarial losses
Contracted Services	Incorrect budget for Eskom subsidies
Grant and Subsidies	Incorrect budget for Eskom subsidies
Operating Grant Expenditure	MIG Grant budgeted as general income and Grant Income
General Expenses	Budgeted for internal services - not expenditure in terms of GRAP

	<b>2010 R (Actual)</b>	<b>2010 R (Budget)</b>	<b>2010 R (Variance)</b>	<b>2010 (%)</b>
<b>39.2 Expenditure by Vote</b>				
Budget & Treasury	15,055,694	12,846,292	2,209,402	17%
Community & Social Services	4,814,800	5,169,034	(354,234)	-7%
Corporate Services	55,109,202	81,473,724	(26,364,522)	-32%
Electricity	35,984,517	38,441,146	(2,456,629)	-6%
Environmental Protection	71,104	84,000	(12,896)	-15%
Executive & Council	5,776,395	5,541,987	234,408	4%
Housing	4,118,018	4,675,516	(557,498)	-12%
Planning & Development	9,890,501	9,381,129	509,372	5%
Public Safety	12,500,769	13,831,216	(1,330,447)	-10%
Road Transport	20,914,029	22,666,188	(1,752,159)	-8%
Sport & Recreation	8,398,899	8,993,934	(595,035)	-7%
Waste Management	20,962,616	17,609,326	3,353,290	19%
Waste Water Management	20,889,737	18,688,134	2,201,603	12%
Water	27,623,539	29,819,961	(2,196,422)	-7%
	<b>242,109,820</b>	<b>269,221,587</b>	<b>(27,111,767)</b>	<b>-10%</b>

**Details of material variances**

Budget & Treasury	Budget for debt impairment insufficient
Corporate Services	MIG Grant budget as general income and Grant Income
Executive & Council	Not budgeted for contribution to Long Service Awards Provision
Housing	Budget for control of informal settlements, and legal costs not fully spend
Waste Management	Budget for debt impairment insufficient
Waste Water Management	Budget for debt impairment insufficient

**39.3 Capital expenditure by vote**

Executive & Council	4,601,840	4,807,265	(205,425)	-4%
Budget & Treasury	37,624	57,229	(19,605)	-34%
Planning & Development	441,366	1,261,723	(820,357)	-65%
Waste Water Management	4,144,375	4,300,617	(156,242)	-4%
Road Transport	9,504,533	18,309,167	(8,804,634)	-48%
Water	21,460,212	27,283,335	(5,823,123)	-21%
Electricity	3,952,151	5,691,577	(1,739,426)	-31%
	<b>44,142,100</b>	<b>61,710,913</b>	<b>(17,568,813)</b>	<b>-28%</b>

**Details of material variances**

Planning & Development	Sportsfields not completed
Road Transport	MIG Flood Relief not spend
Water	EIA delayed project, and budget for pre-paid meters not fully spend
Electricity	EB Steam project delay, Villiersdorp housing project not completed 2009/2010



THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R				
40	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED						
40.1	<b>Unauthorised expenditure</b>						
	Reconciliation of unauthorised expenditure:						
	Opening balance	-	-				
	Unauthorised expenditure current year - capital	272,445	12,999,743				
	Unauthorised expenditure current year - operating	8,508,075	-				
	Approved by Council or condoned	-	(12,999,743)				
	Unauthorised expenditure awaiting authorisation	8,780,520	-				
	<table><tr><td>Incident</td><td>Disciplinary steps/criminal proceedings</td></tr><tr><td>Overexpenditure on votes</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Overexpenditure on votes	None		
Incident	Disciplinary steps/criminal proceedings						
Overexpenditure on votes	None						
40.2	<b>Fruitless and wasteful expenditure</b>						
	Reconciliation of fruitless and wasteful expenditure:						
	Opening balance	118,071	-				
	Fruitless and wasteful expenditure current year	-	118,071				
	Fruitless and wasteful expenditure awaiting condonement	118,071	118,071				
	<table><tr><td>Incident</td><td>Disciplinary steps/criminal proceedings</td></tr><tr><td>Interest paid on late payment</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Interest paid on late payment	None		
Incident	Disciplinary steps/criminal proceedings						
Interest paid on late payment	None						
40.3	<b>Irregular expenditure</b>						
	Reconciliation of irregular expenditure:						
	Opening balance	-	-				
	Irregular expenditure current year	1,365,104	4,885,842				
	Condoned or written off by Council	-	(4,885,842)				
	Irregular expenditure awaiting condonement	1,365,104	-				
	<table><tr><td>Incident</td><td>Disciplinary steps/criminal proceedings</td></tr><tr><td>Non-compliance with Supply Chain Management Policy - Note 41.7</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Non-compliance with Supply Chain Management Policy - Note 41.7	None		
Incident	Disciplinary steps/criminal proceedings						
Non-compliance with Supply Chain Management Policy - Note 41.7	None						
40.4	<b>Material Losses</b>						
	<b>Electricity distribution losses</b>						
	Units purchased (Kwh)	61,563,377	63,309,496				
	- Units lost during distribution (Kwh)	5,042,711	6,001,554				
	- Percentage lost during distribution	8.19%	9.48%				
	<b>Water distribution losses</b>						
	- Kilolitres purified	3,104,111	3,794,495				
	- Kilolitres lost during distribution	482,209	631,565				
	- Percentage lost during distribution	15.53%	16.64%				
41	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT						
41.1	<b>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>						
	Council subscriptions	401,377	343,063				
	Amount paid - current year	(401,377)	(343,063)				
	Balance unpaid (included in creditors)	-	-				
41.2	<b>Audit fees - [MFMA 125 (1)(b)]</b>						
	Opening balance	-	-				
	Current year audit fee	1,810,764	1,234,032				
	External Audit - Auditor-General	1,810,764	1,234,032				
	Amount paid - current year	(1,810,764)	(1,234,032)				
	Balance unpaid (included in creditors)	-	-				
41.3	<b>VAT - [MFMA 125 (1)(b)]</b>						
	VAT	(5,292,895)	(4,885,290)				
	VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.						

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010 R	2009 R
<b>41.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Current year payroll deductions and Council Contributions	9,624,495	7,308,027
Amount paid - current year	(9,624,495)	(7,308,027)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

<b>41.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Current year payroll deductions and Council Contributions	18,945,162	16,082,890
Amount paid - current year	(18,945,162)	(16,082,890)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

<b>41.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</b>	
The following Councillors had arrear accounts for more than 90 days during the year.	

	Outstanding more than 90 days	Outstanding more than 90 days
Damon M	5,397	4,876
Mentile V	-	154
Mazembe V C	5,965	-
Wood C	153	53
Pheiffer JJJ	522	1,099
Appel M	1,850	1,365
<b>Total Councillor Arrear Consumer Accounts</b>	<b>13,887</b>	<b>7,547</b>

**41.7 Quotations awarded - Section 45 - Supply Chain Management**

Deviations from Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	9,915	-	-	-
Development Services	-	-	-	11,032,948
Development Services	10,102	-	-	2,722,748
Electrical Services	1,050,956	104,196	-	-
	<b>1,070,973</b>	<b>104,196</b>	<b>-</b>	<b>13,755,696</b>

**42 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:	15,854,763	27,544,491
Land & Buildings	-	422,860
Infrastructure	15,854,763	27,121,631
<b>Total</b>	<b>15,854,763</b>	<b>27,544,491</b>

This expenditure will be financed from:

External Loans	6,873,608	15,864,767
Government Grants	8,981,156	11,679,724
	<b>15,854,763</b>	<b>27,544,491</b>

**43 FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## (c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2010 R	2009 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2009 - 0.5%) Increase in interest rates	(807,310)	(260,290)
0.5% (2009 - 0.5%) Decrease in interest rates	403,655	520,579

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 17 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
LT Debtors	0.00%	-	0.06%	45,390
Water	27.02%	22,847,849	26.43%	18,874,110
Electricity	2.10%	1,778,189	4.90%	3,500,265
Refuse	20.15%	17,040,056	18.27%	13,045,065
Sewerage	21.95%	18,560,383	20.73%	14,802,889
Other ordinary debtors	6.52%	5,513,804	3.58%	2,556,583
Rates	22.26%	18,821,942	26.03%	18,584,694
	<u>77.74%</u>	<u>84,562,223</u>	<u>100%</u>	<u>71,408,996</u>

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	50,101	104,113
Trade receivables and other receivables	23,256,755	19,259,354
Cash and Cash Equivalents	7,361,750	31,070,552
Unpaid conditional grants and subsidies	29,538	-
	<u>30,698,144</u>	<u>50,434,019</u>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

**44 FINANCIAL INSTRUMENTS**

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

<b>44.1 Financial Assets</b>	<b>Classification</b>		
<b>Long-term Receivables</b>			
Officials Housing Loans	Loans and receivables	56,086	59,701
Sport Club Loans	Loans and receivables	2,477	104,961
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Loans and receivables	75,369,361	58,750,693
Other receivables from exchange transactions	Loans and receivables	4,169,571	2,248,283
Other receivables from non-exchange transactions	Loans and receivables	28,280,046	29,669,374
<b>Current Portion of Long-term Receivables</b>			
Officials Housing Loans	Loans and receivables	3,844	3,881
Sport Club Loans	Loans and receivables	2,477	8,279
<b>Short-term Investment Deposits</b>			
Call Deposits	Loans and receivables	4,987,046	25,484,760
<b>Bank Balances and Cash</b>			
Bank Balances	Loans and receivables	2,369,704	5,580,722
Cash Floats and Advances	Loans and receivables	5,000	5,070
		<u>115,245,611</u>	<u>121,915,724</u>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Loans and receivables</b>		<u>115,245,611</u>	<u>121,915,724</u>

**FINANCIAL INSTRUMENTS (CONTINUE)**

<b>44.2 Financial Liability</b>	<b>Classification</b>		
<b>Long-term Liabilities</b>			
Annuity Loans	At amortised cost	44,887,128	52,775,404
Capitalised Lease Liability	At amortised cost	39,860	142,539
<b>Trade Payables</b>			
Trade creditors	At amortised cost	7,393,474	10,663,737
Retentions	At amortised cost	3,577,361	3,088,025
Deposits	At amortised cost	793,483	320,445
<b>Unspent Conditional Grants and Receipts</b>			
Other Spheres of Government	At amortised cost	7,148,626	8,428,213
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	At amortised cost	4,577,571	4,838,277
Capitalised Lease Liability	At amortised cost	133,027	166,489
		<u>68,550,531</u>	<u>80,423,128</u>
<b>SUMMARY OF FINANCIAL LIABILITY</b>			
<b>At amortised cost</b>		<u>68,550,531</u>	<u>80,423,128</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## 45 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2009/2010.

## 46 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

## 47 PRIVATE PUBLIC PARTNERSHIPS

The municipality has not entered into any private public partnerships during the financial year.

## 48 CONTINGENT LIABILITY

The municipality does not have any contingent liabilities at the end of the financial year 2009/2010:

## 49 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

## 49.1 Related Party Transactions

	Rates - Levied 1 Jul 09 - 30 Jun 10	Service Charges - Levied 1 Jul 09 - 30 Jun 10	Other - Levied 1 Jul 09 - 30 Jun 10	Outstanding Balances 30 June 2010
<b>Year ended 30 JUNE 2010</b>				
<b>Councillors</b>	<b>26,944</b>	<b>146,813</b>	<b>960</b>	<b>25,346</b>
Appel M	1,158	1,999	-	155
Baird S	702	5,666	-	283
Damon M	-	3,060	-	255
De Bruyn L	1,664	7,866	-	587
Fredericks S	-	1,114	-	94
Hattingh A	3,164	2,842	-	1,696
Mazembe V	154	3,339	960	7,146
Pheiffer J	80	2,755	-	1,244
Punt C	3,331	8,410	-	825
Simmers T	2,104	14,422	-	1,220
Tshaka M	-	2,737	-	224
Vashu S	3,236	10,223	-	1,063
Vosloo C	5,136	12,990	-	1,392
Wood C	-	4,227	-	902
November CD	814	8,892	-	1,000
Hanekom A	4,508	43,485	-	2,121
Papier K	893	12,786	-	5,139
<b>Senior Management</b>	<b>3,832</b>	<b>23,887</b>	<b>33,116</b>	<b>4,766</b>
Gxoyiya MH	-	15,281	33,116	3,802
J Barnard	3,832	8,606	-	964

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties. Balances outstanding on 30 June include the June accounts which is payable in July.

## 49.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

## 49.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.

## 49.4 Other related party transactions

The following purchases were made during the year where Councillors or Management have an interest:

Councillor/Staff Member

	2010 R	2009 R
Councillor D.C. Ruiters - Brother Mr R. Theunissen - painter	67,100	62,930
Councillor C. Wood - Daughter - C. du Plessis/January - caterer	-	4,080
Deputy Director J. Visagie - S. Visagie = caterer	-	292
	<u>67,100</u>	<u>67,302</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## 50 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

## 50.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

The municipality is currently in a process of measuring all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

The municipality has appointed Jan Palm Consulting Engineers that conducted a Provisional Assessment and they will now proceed to do the costing for the Landfill site. They estimate that the current Landfill site, situated at Plot 1 Caledon, has a remaining life of about 44-82 months, depending on the equipment used to compact the refuse. The provision will be calculated according to GRAP 19 and it is expected that this process will be completed for inclusion in the 2010/2011 financial statements.

## 50.2 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.

## 50.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of measuring all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

	2010 R	2009 R
Land and Buildings.	3,840,900	3,840,900
Total not previously recognised now restated retrospectively	<u>3,840,900</u>	<u>3,840,900</u>

## 50.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Intangible Assets in accordance with the standard, including the following:

- \* Computer Software;
- \* Servitudes.

The municipality is currently in the process of measuring all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010/2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

## 50.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale

The municipality is currently in the process of measuring all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010/2011 financial statements.

# DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

(Also refer to Notes 10 and 21)

Grant Description	Balance 1 JULY 2009	Contributions during the year	Conditions met : Transferred to Revenue	Balance 30 JUNE 2010
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>				
	R	R	R	R
DBSA COLLABORATOR	-	858,925	858,925	-
DBSA DEBTPACK	-	341,706	341,706	-
EPWP	-	694,600	-	694,600
IMQS	-	250,000	250,000	-
NATIONAL ELECTRIFICATION PROGRAM	-	2,337,000	2,337,000	-
SPORTSFIELD : CALEDON	-	501,138	308,057	193,081
SPORTSFIELDS: GRABOUW	-	501,138	2,531	498,607
MUNICIPAL INFRASTRUCTURE GRANT	7,085,394	20,512,000	22,691,741	4,905,654
SPATIAL DEV FRAMEWORK	42,553	-	12,084	30,469
MSIG FUNDS	-	1,300,000	1,300,000	-
BOTRIVER DEVELOPMENT CONTRIBUTION	61,689	-	22,800	38,889
CDW's	533,946	216,000	428,778	321,169
FINANCE MANAGEMENT GRANT	297,943	1,000,000	1,018,170	279,773
DBSA GIS	31,241	-	8,074	23,167
DBSA LOCAL ECONOMIC DEVELOPMENT	-	374,763	404,301	(29,538)
PROJECT PREPARATION	69,400	-	-	69,400
HOUSING	5,268	27,133,234	27,124,583	13,919
UPGRADING WATER (GENADENDAL)	3,280	-	3,280	-
TOWNSHIP DEVELOPMENT : DENNEKRUIN	17,797	-	-	17,797
SPORTSFIELDS: VILLIERSDORP	22,256	-	22,256	-
MULTI PURPOSE BUS	257,444	23,584	218,925	62,102
DBSA PERFORMANCE MANAGEMENT SYSTEM	-	309,127	309,127	-
EQUITABLE SHARE	-	33,166,640	33,166,640	-
MAIN ROADS SUBSIDY	-	252,000	252,000	-
LIBRARY SUBSIDY	-	491,000	491,000	-
SETA	-	273,314	273,314	-
<b>Total</b>	<b>8,428,212</b>	<b>90,536,167</b>	<b>91,845,291</b>	<b>7,119,088</b>

## Municipal Infrastructure Grants (MIG)

National Government

Purpose:

- To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions
- To provide for new municipal infrastructure and rehabilitation and upgrading of existing ones
- To eradicate the bucket sanitation system mainly in urban townships

## Spacial Development Framework

Department of Environmental Affairs and Development Planning

Purpose:

- To provide financial support to municipalities for projects/studies necessary for alignment of municipal Spatial Development Frameworks (SDF's) with the Western Cape Provincial Spatial Development Framework (WCPSDF) and other related spatial planning projects.

## Municipal Systems Improvement Grants (MSIG)

National Government

(Also refer to Notes 10 and 21)

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Purpose:

- To assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Local Government: Municipal Systems Act,

#### **CDW's**

Local Government and Housing

Purpose

- To provide financial assistance To municipalities To cover the operational costs pertaining To the functions of the community development workers including the regional coordinators.

#### **Financial Management Grant**

National Treasury

- Purpose To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA)

#### **DBSA - GIS**

Development Bank of South Africa

Purpose: To implement a geographic Information sytem.

#### **LG-SETA**

- For training and Skills development

#### **Project Preperation Grant**

PAWC - Local Government and Housing

Purpose:

To assist municipalities with investigations into problems with basic municipal services, evaluation of alternative solutions and making specific project proposals.

#### **Nasional Electrification Programme**

Department of Mineral and energy

- To implement the Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply

#### **Housing**

PAWC - Local Government and Housing

Purpose:

- To finance the funding requirements of national housing programmes (excluding recurrent costs recoverable from assets falling under the pre-1994 stock).
- To facilitate the establishment and maintenance of integrated and sustainable human settlements To ensure economically viable and socially equitable communities in areas with ecological integrity promoting convenient and safe access To economic opportunities, health, educational and social amenities.

#### **Genadendal Water Upgrade**



(Also refer to Notes 10 and 21)

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National Department of Water Affairs

To upgrade the water supply to Genadendal

**Dennekruin Town Establishment**

National Department of Land Affairs

For the town establishment of Dennekruin

**Sportsfields : Villiersdorp, Caledon and Grabouw**

Cultural Affairs and Sport

Purpose Provision of Sport and Recreation facilities in especially previously disadvantaged communities.

**Multi-purpose Bus**

Overberg District Municipality

To buy a vehicle in order to render services to the farming community

**APPENDIX A - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Balance at 30 June 2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
<b>LONG-TERM LOANS</b>								
<b>Stock Loans</b>								
DBSA - 20 year	9.85%	103313.1	31/03/2029	22,082,960	22,082,960	-	-	22,082,960
DBSA - 15 year	9.97%	103313.2	31/03/2024	6,295,000	6,295,000	-	-	6,295,000
DBSA - 10 year	10.00%	103313.3	31/03/2019	1,000,000	1,000,000	-	-	1,000,000
DBSA - 7 year	9.95%	103313.4	31/03/2016	3,800,000	3,800,000	-	-	3,800,000
<b>Total Stock Loans</b>				<b>33,177,960</b>	<b>33,177,960</b>	<b>-</b>	<b>-</b>	<b>33,177,960</b>
<b>ANNUITY LOANS</b>								
DBSA 10.95% 10 year	10.95%	Infrastructure Programs101178/1	30/06/2014	5,401,037	5,401,037	-	863,333	4,537,704
DBSA 9.46% 20 year	9.46%	Loan No. 101487/1 Electricity Loan No. 101487/4	31/12/2024	9,873,758	9,873,758	-	2,000,000	7,873,758
DBSA 9.49% 5 year	9.49%	Admin/Corp/Refuse	31/12/2009	126,242	126,242	-	-	126,242
DBSA	10.06%	Loan No. 102275/1	31/03/2009	12,683,635	12,683,635	-	818,336	11,865,299
DBSA	10.74%	Loan No. 102807/1	30/06/2013	12,455,989	12,455,989	-	539,644	11,916,345
DBSA	11.44%	Loan No. 103108/1	31/12/2018	10,107,255	10,107,255	-	94,564	10,012,691
ABSA	11.35%	(Mun Buildings) 11794	31/12/2014	243,859	243,859	-	34,078	209,781
ABSA	12.00%	(Roads) 11793	31/12/2010	305,150	305,150	-	197,452	107,698
ABSA	11.35%	(Sewerage) 11792	31/12/2014	117,715	117,715	-	16,450	101,265
ABSA	12.00%	(Water Service) 11790	31/12/2010	64,356	64,356	-	41,643	22,713
ABSA	11.14%	(Electricity, Water, Sewerage)10858/1	31/12/2018	1,376,737	1,376,737	-	87,543	1,289,194
ABSA	11.14%	(Sewerage)10858/2	31/12/2010	132,067	132,067	-	8,411	123,656
DBSA 10.05% 30 year	10.05%	(Sewerage) 13050	31/12/2013	216,750	216,750	-	40,278	176,472
DBSA 15.30% 15 year	15.30%	(Electricity) 13062	31/12/2008	3	3	-	-	3
ABSA	11.35%	(Sewerage) 13051	31/12/2014	58,367	58,367	-	8,156	50,211
ABSA	11.35%	(Sewerage) 13052	31/12/2014	48,799	48,799	-	6,819	41,980
ABSA	12.00%	(Municipal Buildings) 13057	31/12/2010	16,170	16,170	-	10,470	5,700
ABSA	11.79%	(Municipal Buildings) 13060	31/12/2011	29,144	29,144	-	10,667	18,477
ABSA	12.25%	(Electricity) 13063	31/12/2009	7,424	7,424	-	7,424	-
ABSA	11.79%	(Water Service) 13056	31/12/2011	21,239	21,239	-	7,774	13,465
ABSA	12.00%	(Water Service) 13064	31/12/2010	33,825	33,825	-	22,419	11,406
DBSA 16.50% 10 year	16.50%	(Roads) 13298	31/12/2009	49,658	49,658	-	49,679	(21)
Sanlam 10% 20 year	10.00%	40513100.00% (Sewerage) 104013	31/12/2010	12,278	12,278	-	7,828	4,450
ABSA	11.27%	(12704/101) (Water Service)	31/12/2015	393,929	393,929	-	43,917	350,012
ABSA	11.27%	105021(12705/101)	31/12/2015	162,389	162,389	-	18,104	144,285
DBSA 16.50% 20 year	16.50%	13343(16.50%) (Electricity) Electricity (15.75%)	31/12/2019	173,004	173,004	-	6,958	166,046
DBSA 15.75% 20 year	15.75%	(13705/102) LALF 15159.8	30/06/2020	85,966	85,966	-	3,282	82,684
ABSA	12.00%	(17.55%)(11806/101) Network - Elec.(15.00%)	31/12/2010	69,835	69,835	-	45,188	24,647
ABSA	11.44%	(11040/102) LALF 15159.9 (11807/101)	31/12/2013	132,663	132,663	-	24,026	108,637
ABSA	12.00%	(Water)	31/12/2010	226,387	226,387	-	146,487	79,900
<b>Total Annuity Loans</b>				<b>54,625,630</b>	<b>54,625,630</b>	<b>-</b>	<b>5,160,930</b>	<b>49,464,699</b>
<b>LEASE LIABILITY</b>								
Bizhub B250 photo copier				31,522	31,522	-	12,421	19,101
Aficio MP2000 photo copier				8,191	8,191	-	8,191	-
AR5316 photo copier				4,875	4,875	-	4,137	738
AR5316 photo copier				4,875	4,875	-	4,137	738
Bizhub B250 photo copier				24,679	24,679	-	13,467	11,211
Bizhub B163 photo copier				17,765	17,765	-	7,016	10,749
Bizhub B250 photo copier				24,679	24,679	-	13,467	11,211
Bizhub C451 photo copier				77,592	77,592	-	30,575	47,017
Aficio MP2000 photo copier				8,191	8,191	-	8,191	-
Bizhub B163 photo copier				13,028	13,028	-	7,110	5,918
Aficio 2018 photo copier				5,166	5,166	-	5,166	-
Aficio MP2000 photo copier				8,191	8,191	-	8,191	-
Aficio MP2000 photo copier				8,191	8,191	-	8,191	-
Bizhub B250 photo copier				27,234	27,234	-	10,750	16,484
Bizhub C203 photo copier				-	-	R 55,171	16,200	38,971
Bizhub B163 photo copier				17,765	17,765	-	7,016	10,749
Aficio 2018D photo copier				1,678	1,678	-	1,678	-
Aficio 2018 photo copier				584	584	-	584	-
				<b>284,205</b>	<b>284,205</b>	<b>55,171</b>	<b>166,489</b>	<b>172,887</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>88,113,707</b>	<b>88,087,795</b>	<b>55,171</b>	<b>5,327,419</b>	<b>82,815,546</b>

**APPENDIX B - Unaudited**  
**THEWATERSKLOOF MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

	Cost/Revaluation						Accumulated Depreciation				Carrying Value	
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Land and Buildings												
Land	9,345,961	-	276,573	-	-	-	9,592,534	-	-	-	-	9,592,534
Buildings	91,000,847	-	1,082,925	-	30,000	-	92,083,773	30,383,642	3,023,052	-	33,406,694	58,677,078
	100,346,808	-	1,359,498	-	30,000	-	101,676,306	30,383,642	3,023,052	-	33,406,694	68,269,612
Infrastructure												
Roads and Storm water	81,518,343	-	9,504,533	-	-	-	91,022,876	40,860,504	2,743,680	-	43,604,184	47,418,693
Electricity Network	25,523,411	-	3,845,490	-	-	-	29,368,901	8,479,028	1,284,625	-	9,763,653	19,605,247
Sewerage Network	68,922,486	-	4,144,375	-	-	-	73,066,862	17,678,625	3,386,647	-	21,065,273	52,001,589
Water Network	78,040,443	-	21,183,639	-	-	-	99,224,082	22,032,057	3,960,366	-	25,992,443	73,231,639
Refuse Removal	383,832	-	-	-	-	-	383,832	217,645	12,794	-	230,440	153,393
	254,388,516	-	38,678,037	-	-	-	293,066,552	89,267,860	11,388,132	-	100,655,992	192,410,560
Community Assets												
Recreation Grounds	2,624,470	-	272,445	-	-	-	2,896,915	1,013,465	132,359	-	1,145,824	1,751,091
Community Halls	839,927	-	-	-	-	-	839,927	374,269	27,998	-	402,267	437,660
Libraries	3,894,000	-	-	-	-	-	3,894,000	2,208,022	129,800	-	2,337,822	1,556,178
Parks & Gardens	1,753,024	-	-	-	-	-	1,753,024	918,037	87,651	-	1,005,688	747,336
Clinics	2,692,211	-	-	-	-	-	2,692,211	1,526,570	89,740	-	1,616,310	1,075,901
Cemeteries	803,102	-	-	-	-	-	803,102	253,401	26,770	-	280,171	522,931
	12,606,734	-	272,445	-	-	-	12,879,179	6,293,764	494,318	-	6,789,082	6,091,097
Leased Assets												
Office Equipment (Lease)	1,729,820	-	55,171	-	-	-	1,784,991	1,386,210	150,326	-	1,536,535	248,455
	1,729,820	-	55,171	-	-	-	1,784,991	1,386,210	150,326	-	1,536,535	248,455
Other Assets												
Vehicles	3,407,139	378,555	460,641	29,846	58,812	6,534	4,210,834	1,722,082	584,331	56,105	2,250,308	1,960,526
Tools & Equipment	1,610,205	-	433,570	-	1,500	-	2,042,276	488,870	311,824	1,500	799,194	1,243,082
Furniture	658,154	-	141,751	-	-	-	799,905	368,675	71,518	-	440,194	359,711
Equipment	6,109,660	-	162,800	-	15,400	-	6,257,060	3,446,151	865,796	12,075	4,299,873	1,957,187
Special Vehicles	20,086,181	1,055,553	1,691,372	83,980	886,350	46,650	21,984,087	10,685,809	2,140,247	858,268	11,967,788	10,016,299
Tables	246,395	-	-	-	-	-	246,395	127,172	24,840	-	152,011	96,384
Chairs	507,217	-	99,657	-	1,702	-	605,171	295,472	76,411	1,306	370,577	234,595
Office Equipment	1,304,405	-	460,661	-	850	-	1,764,216	993,711	143,410	835	1,136,286	627,930
Computer Hardware	2,162,887	-	196,827	-	5,280	-	2,354,434	1,025,119	330,250	4,801	1,350,568	1,003,865
Other	2,370,623	-	15,844	-	-	-	2,386,467	2,162,016	210,497	-	2,372,514	13,954
	38,464,867	1,434,108	3,663,124	113,825	969,894	53,184	42,652,846	21,315,077	4,759,124	934,889	25,139,313	17,513,533
Total Property, Plant and Equipment	407,536,745	1,434,108	44,028,275	113,825	999,894	53,184	452,059,875	148,646,553	19,814,952	934,889	167,526,617	284,533,258
Investment Property												
Land	29,309,374	-	-	-	-	-	29,098,356	-	-	-	-	29,098,356
Buildings	16,858,000	-	-	-	211,018	-	16,858,000	16,306,561	551,439	-	16,858,000	-
	46,167,374	-	-	-	211,018	-	45,956,356	16,306,561	551,439	-	16,858,000	29,098,356
Intangible Assets												
Computer Software	640,846	-	1,232,747	-	-	-	1,873,593	218,809	176,339	-	395,148	1,478,445
	640,846	-	1,232,747	-	-	-	1,873,593	218,809	176,339	-	395,148	1,478,445
Total	454,344,965.30	1,434,108	45,261,022	113,825	1,210,912	53,184	499,889,824	165,171,923	20,542,730	934,889	184,779,764	315,110,059

**APPENDIX C - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

	Cost						Accumulated Depreciation				Carrying Value	
	Opening Balance	Residual Value Opening Bal	Additions	Residual Value Additions	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Directorate Corporate Services	4,966,611	21,722	1,932,189	29,845	2,600	-	6,947,767	2,047,992	657,549	2,408	2,703,133	4,244,634
Council's General Expenses	364,211	25,142	-	-	-	-	389,353	176,772	58,870	-	235,642	153,711
Admin: Technical Services	1,649,906	2,588	2,555,825	83,980	-	-	4,292,300	661,073	451,421	-	1,112,494	3,179,805
Financial Services	1,033,215	2,500	37,624	-	4,280	-	1,069,059	789,286	90,726	3,768	876,244	192,815
Property Rates	164,812	10,534	-	-	31,812	3,534	140,000	116,455	12,893	31,812	97,536	42,464
Human Resources	104,251	-	-	-	-	-	104,251	81,830	10,697	-	92,527	11,724
Information Technology	270,487	-	-	-	-	-	270,487	35,816	54,097	-	89,913	180,574
Property Services	45,563,000	15,900	-	-	23,750	1,250	45,553,900	17,897,931	1,748,900	23,750	19,623,082	25,930,819
Town Planning	3,264	-	-	-	-	-	3,264	2,622	380	-	3,003	261
Admin: Planning and Development	37,751,535	16,096	168,920	-	30,000	-	37,906,551	21,093,145	1,097,048	-	22,190,193	15,716,358
Library	657,141	-	-	-	952	-	656,189	580,764	30,801	765	610,800	45,389
Cemeteries	888,417	4,158	-	-	-	-	892,575	337,991	26,980	-	364,971	527,604
Admin Housing and Informal Settlements	32,395,871	-	-	-	-	-	32,395,871	1,089,916	1,081,187	-	2,171,103	30,224,769
Traffic Services	2,349,215	163,196	-	-	400	-	2,512,011	1,246,619	304,325	286	1,550,658	961,353
Civil Protection & Fire Protection	19,534	-	-	-	-	-	19,534	2,606	651	-	3,257	16,276
Sports Grounds	1,122,028	-	-	-	-	-	1,122,028	126,892	56,101	-	182,993	939,034
Nature reserve	165,083	-	-	-	-	-	165,083	114,262	16,472	-	130,734	34,348
Swimming pool & Camping Site	18,006	-	-	-	-	-	18,006	16,833	587	-	17,420	586
Parks and Recreation	2,284,399	30,428	272,445	-	-	-	2,587,272	1,161,524	143,448	-	1,304,972	1,282,301
Solid Waste	6,547,634	179,624	-	-	23,750	1,250	6,702,259	3,732,418	704,418	18,665	4,418,170	2,284,088
Sewerage	73,056,867	244,690	4,144,375	-	707,750	37,250	76,700,932	19,873,228	3,784,953	701,704	22,956,477	53,744,455
Roads	88,214,752	543,513	9,504,533	-	90,600	3,900	98,168,298	44,922,542	3,820,622	87,389	48,655,776	49,512,522
Water Distribution	79,023,387	85,532	21,460,212	-	36,500	3,500	100,529,131	22,980,516	4,069,393	33,793	27,016,117	73,513,014
Electricity Distribution	28,923,117	88,484	3,952,151	-	47,500	2,500	32,913,753	9,557,519	1,592,430	30,549	11,119,401	21,794,352
TOTAL	407,536,745	1,434,108	44,028,275	113,825	999,894	53,184	452,059,875	148,646,553	19,814,952	934,889	167,526,617	284,533,258

**APPENDIX C - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**  
**GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Bal	Additions	Residual Value Additions	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	
Executive & Council	6,980,728	49,452	4,488,015	113,825	2,600	-	11,629,420	2,885,837	7,578,150
Budget & Treasury	1,033,215	2,500	37,624	-	4,280	-	1,069,059	789,286	192,815
Corporate Services	46,102,550	26,434	-	-	55,562	4,784	46,068,639	18,132,032	26,165,581
Planning & Development	37,754,799	16,096	168,920	-	30,000	-	37,909,815	21,095,767	15,716,619
Community & Social Services	1,545,558	4,158	272,445	-	952	-	1,821,209	918,755	844,303
Housing	32,395,871	-	-	-	-	-	32,395,871	1,089,916	30,224,769
Public Safety	2,368,749	163,196	-	-	400	-	2,531,545	1,249,226	977,629
Sport & Recreation	3,589,515	30,428	-	-	-	-	3,619,943	1,419,510	1,984,959
Waste Management	6,547,634	179,624	-	-	23,750	1,250	6,702,259	3,732,418	2,284,088
Waste Water Management	73,056,867	244,690	4,144,375	-	707,750	37,250	76,700,932	19,873,228	53,744,455
Road Transport	88,214,752	543,513	9,504,533	-	90,600	3,900	98,168,298	44,922,542	49,512,522
Water	79,023,387	85,532	21,460,212	-	36,500	3,500	100,529,131	22,980,516	73,513,014
Electricity	28,923,117	88,484	3,952,151	-	47,500	2,500	32,913,753	9,557,519	21,794,352
<b>TOTAL</b>	<b>407,536,745</b>	<b>1,434,108</b>	<b>44,028,275</b>	<b>113,825</b>	<b>999,894</b>	<b>53,184</b>	<b>452,059,875</b>	<b>148,646,553</b>	<b>284,533,258</b>

**APPENDIX D - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**  
**MUNICIPAL SUB-VOTES CLASSIFICATION**

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
60,363	(3,713,497)	(3,653,134)	Admin Housing and Informal Settlements	1,828	(4,118,018)	(4,116,190)
1,000	(9,059,589)	(9,058,589)	Admin. : Operational Services	272,800	(2,397,618)	(2,124,818)
-	(1,445,170)	(1,445,170)	Admin: Planning and Development	-	(3,144,304)	(3,144,304)
923,300	(685,419)	237,881	Building Control	820,116	(403,763)	416,353
268,818	(579,756)	(310,938)	Cemeteries	285,550	(356,969)	(71,419)
-	(430,913)	(430,913)	Civil Protection & Fire Protection	-	(513,417)	(513,417)
974,031	(9,064,307)	(8,090,276)	Council's General Expenses	1,568,778	(3,378,776)	(1,809,999)
970,298	(18,469,139)	(17,498,841)	Directorate Corporate Services	2,174,820	(14,819,316)	(12,644,496)
32,679,050	(28,154,308)	4,524,742	Electricity Distribution	38,463,685	(35,984,517)	2,479,168
39,984,038	(24,497,358)	15,486,680	Financial Services	34,602,722	(14,848,253)	19,754,469
294,346	(3,545,457)	(3,251,111)	Human Resources	273,314	(2,508,070)	(2,234,756)
-	(3,335,438)	(3,335,438)	IDP / LED	932,353	(3,265,023)	(2,332,670)
-	(1,799,404)	(1,799,404)	Information Technology	-	(1,678,668)	(1,678,668)
-	(270,373)	(270,373)	Internal Audit	-	(781,667)	(781,667)
538	(961,708)	(961,170)	Law Enforcement	-	(1,081,921)	(1,081,921)
3,850,456	(9,724,276)	(5,873,820)	Library	557,705	(4,457,831)	(3,900,126)
-	(184,830)	(184,830)	Mechanical Workshop	-	(255,731)	(255,731)
22	(1,277,389)	(1,277,367)	Nature reserve	-	(1,434,412)	(1,434,412)
7,018	(164,659)	(157,641)	Other	3,955	(173,456)	(169,501)
-	(5,090,165)	(5,090,165)	Parks and Recreation	-	(5,490,087)	(5,490,087)
-	(46,217)	(46,217)	Pollution Control	-	(71,104)	(71,104)
1,452,722	(1,514,390)	(61,668)	Proclaimed Main Roads	252,000	(386,913)	(134,913)
3,393,898	(627,372)	2,766,526	Property Manangement	-	(765,348)	(765,348)
34,117,814	-	34,117,814	Property Rates	38,737,536	(207,441)	38,530,095
1,565,682	(6,110,498)	(4,544,816)	Property Services	2,947,818	(8,174,642)	(5,226,824)
-	(17,533,485)	(17,533,485)	Roads	-	(20,271,385)	(20,271,385)
14,026,797	(12,975,099)	1,051,698	Sewerage	14,879,034	(14,641,102)	237,933
-	(3,849,918)	(3,849,918)	Sewerage Purification	-	(3,937,032)	(3,937,032)
402,050	(2,098,018)	(1,695,968)	Sewerage Tanker Services	1,182,727	(2,311,604)	(1,128,876)
16,401,827	(19,129,876)	(2,728,049)	Solid Waste	16,735,666	(20,962,616)	(4,226,950)
41,838	(1,314,772)	(1,272,934)	Sports Grounds	16,909	(932,458)	(915,549)
24,484,408	-	24,484,408	Subsidies and Grants	52,486,167	(27,146,838)	25,339,329
157,098	(459,961)	(302,863)	Swimming pool & Camping Site	86,929	(541,941)	(455,012)
2,596,868	(3,046,769)	(449,901)	Town Planning	1,644,693	(2,312,064)	(667,371)
5,212,956	(8,197,525)	(2,984,569)	Traffic Services	3,642,515	(7,624,832)	(3,982,316)
4,020,422	(3,139,019)	881,403	Vehicle Licensing and Testing	4,394,916	(3,107,143)	1,287,773
29,985,067	(28,747,461)	1,237,606	Water Distribution	34,263,713	(27,623,539)	6,640,174
(10,373,670)	11,394,373	1,020,703	Prior Year Adjustments - Note 34.1			-
207,499,054	(219,849,162)	(12,350,108)	Sub Total	251,228,249	(242,109,820)	9,118,430
-	22,587,000	22,587,000	Less Inter-Departmental Charges	-	-	-
207,499,054	(197,262,162)	10,236,892	<b>Total</b>	251,228,249	(242,109,820)	9,118,430

**APPENDIX D - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
1,945,329	(36,593,035)	(34,647,706)	Executive & Council	1,841,578	(5,776,395)	(3,934,817)
40,115,443	(24,497,358)	15,618,085	Budget & Treasury	73,340,258	(15,055,694)	58,284,564
60,780,908	(11,725,732)	49,055,176	Corporate Services	57,882,119	(55,109,202)	2,772,917
6,921,014	(9,140,168)	(2,219,154)	Planning & Development	3,397,162	(9,890,501)	(6,493,339)
4,119,274	(10,304,032)	(6,184,758)	Community & Social Services	843,254	(4,814,800)	(3,971,545)
60,363	(3,713,497)	(3,653,134)	Housing	1,828	(4,118,018)	(4,116,190)
9,240,934	(12,893,824)	(3,652,890)	Public Safety	8,041,386	(12,500,769)	(4,459,383)
198,958	(8,142,287)	(7,943,329)	Sport & Recreation	103,838	(8,398,899)	(8,295,061)
-	(46,217)	(46,217)	Environmental Protection	-	(71,104)	(71,104)
16,542,891	(19,129,876)	(2,586,985)	Waste Management	16,735,666	(20,962,616)	(4,226,950)
14,496,595	(18,923,035)	(4,426,440)	Waste Water Management	16,061,762	(20,889,737)	(4,827,975)
1,452,722	(19,232,705)	(17,779,983)	Road Transport	252,000	(20,914,029)	(20,662,029)
30,164,095	(28,747,461)	1,416,634	Water	34,263,713	(27,623,539)	6,640,174
32,740,253	(28,154,308)	4,585,945	Electricity	38,463,685	(35,984,517)	2,479,168
(11,279,725)	11,394,373	114,648	Prior year adjustments - Note 34.1			-
207,499,054	(219,849,162)	(12,350,108)	Sub Total	251,228,249	(242,109,820)	9,118,430
-	22,587,000	(22,587,000)	Less Inter-Departmental Charges	-	-	-
207,499,054	(197,262,162)	10,236,892	<b>Total</b>	251,228,249	(242,109,820)	9,118,430

**APPENDIX E(1) - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**REVENUE AND EXPENDITURE**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)
<b>REVENUE</b>				
Budget & Treasury	73,340,258	72,786,944	553,314	0.76%
Community & Social Services	843,254	836,188	7,066	0.85%
Corporate Services	57,882,119	59,696,669	(1,814,550)	-3.04%
Electricity	38,463,685	43,218,000	(4,754,315)	-11.00%
Environmental Protection	-	-	-	0.00%
Executive & Council	1,841,578	1,552,718	288,860	18.60%
Housing	1,828	4,000	(2,172)	-54.31%
Planning & Development	3,397,162	6,184,053	(2,786,891)	-45.07%
Public Safety	8,041,386	7,826,144	215,242	2.75%
Road Transport	252,000	252,000	-	0.00%
Sport & Recreation	103,838	-59,806	163,644	-273.62%
Waste Management	16,735,666	16,847,623	(111,957)	-0.66%
Waste Water Management	16,061,762	15,783,000	278,762	1.77%
Water	34,263,713	34,460,400	(196,687)	-0.57%
<b>Total Revenue</b>	<b>251,228,249</b>	<b>259,387,933</b>	<b>(8,159,684)</b>	<b>-3.15%</b>
<b>EXPENDITURE</b>				
Budget & Treasury	15,055,694	12,846,292	2,209,402	17.20%
Community & Social Services	4,814,800	5,169,034	(354,234)	-6.85%
Corporate Services	55,109,202	81,473,724	(26,364,522)	-32.36%
Electricity	35,984,517	38,441,146	(2,456,629)	-6.39%
Environmental Protection	71,104	84,000	(12,896)	-15.35%
Executive & Council	5,776,395	5,541,987	234,408	4.23%
Housing	4,118,018	4,675,516	(557,498)	-11.92%
Planning & Development	9,890,501	9,381,129	509,372	5.43%
Public Safety	12,500,769	13,831,216	(1,330,447)	-9.62%
Road Transport	20,914,029	22,666,188	(1,752,159)	-7.73%
Sport & Recreation	8,398,899	8,993,934	(595,035)	-6.62%
Waste Management	20,962,616	17,609,326	3,353,290	19.04%
Waste Water Management	20,889,737	18,688,134	2,201,603	11.78%
Water	27,623,539	29,819,961	(2,196,422)	-7.37%
<b>Total Expenditure</b>	<b>242,109,820</b>	<b>269,221,587</b>	<b>(27,111,767)</b>	<b>-10.07%</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>9,118,430</b>	<b>(9,833,654)</b>	<b>18,952,084</b>	



**APPENDIX E (2) - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS**  
**MUNICIPAL VOTES CLASSIFICATION**

	2010 Actual	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance
	R	R	R	R	%
Directorate Corporate Services	1,962,034	1,962,034	2,071,821	(109,787)	-5.30%
Admin: Technical Services	2,639,806	2,639,806	2,735,444	(95,638)	-3.50%
Financial Services	37,624	37,624	57,229	(19,605)	-34.26%
Admin: Planning and Development	168,920	168,920	1,261,723	(1,092,803)	-86.61%
Parks and Recreation	272,445	272,445	-	272,445	0.00%
Sewerage	4,144,375	4,144,375	4,300,617	(156,242)	-3.63%
Roads	9,504,533	9,504,533	18,309,167	(8,804,634)	-48.09%
Water Distribution	21,460,212	21,460,212	27,283,335	(5,823,123)	-21.34%
Electricity Distribution	3,952,151	3,952,151	5,691,577	(1,739,426)	-30.56%
	44,142,100	44,142,100	61,710,913	(17,568,813)	-28.47%

**Material underspending of Budget**

- Tenders for the provision of professional services was called before the end of the 2008/09 financial year it was not early enough to provide the time necessary for studies, technical reports, consultation with the community in every ward, preparing of specifications, calling for tenders and completion of the work. The project was rolled over and combined with the project for 2010/11 which is being completed as one project.
- The construction of the Greyton / Genadendal link sewer has been delayed firstly by the inability to obtain authority from the Minister of Land Affairs to construct the pipeline over trust ground and secondly by the unwillingness of the population of Genadendal to support this project aimed at better service delivery and reduction in pollution
- Flood relief projects in Greyton and Genadendal were delayed due to EIA processes as a result of flood mitigation proposals by TWK instead of just repairing the damage.
- On certain projects small amounts of funding remained as a result of keen prices obtained in tender processes and good contract management while in some instances retention has not been paid to the contractors.

**APPENDIX E (2) - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	<b>2010 Actual</b>	<b>2010 Total Additions</b>	<b>2010 Budget</b>	<b>2010 Variance</b>	<b>2010 Variance</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
Executive & Council	4,601,840	4,601,840	4,807,265	(205,425)	-4.27%
Budget & Treasury	37,624	37,624	57,229	(19,605)	-34.26%
Planning & Development	168,920	168,920	1,261,723	(1,092,803)	-86.61%
Community & Social Services	272,445	272,445	-	272,445	0.00%
Waste Water Management	4,144,375	4,144,375	4,300,617	(156,242)	-3.63%
Road Transport	9,504,533	9,504,533	18,309,167	(8,804,634)	-48.09%
Water	21,460,212	21,460,212	27,283,335	(5,823,123)	-21.34%
Electricity	3,952,151	3,952,151	5,691,577	(1,739,426)	-30.56%
<b>Total</b>	<b>44,142,100</b>	<b>44,142,100</b>	<b>61,710,913</b>	<b>(17,568,813)</b>	<b>-28.47%</b>